OFFERING MEMORANDUM | **NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES**

Sofima Holding S.p.A.

€1,280,000,000

€450,000,000 Senior Secured Floating Rate Notes due 2028
€830,000,000 3.75% Senior Secured Fixed Rate Notes due 2028

in connection with the acquisition of shares of

IMA S.p.A.

Sofima Holding S.p.A., a joint stock company (*società per azioni*) organized and existing under the laws of the Republic of Italy and registered with the Chamber of Commerce of Bologna No. 03889841205 (the "**Issuer**"), is offering (the "**Offering**") €450,000,000 aggregate principal amount of its Senior Secured Floating Rate Notes due 2028 (the "**Senior Secured Floating Rate Notes**") and €830,000,000 aggregate principal amount of its 3.75% Senior Secured Fixed Rate Notes due 2028 (the "**Senior Secured Fixed Rate Notes**" and, together with the Senior Secured Floating Rate Notes, the "**Notes**") as part of the financing for the acquisition of shares of, and refinancing of outstanding indebtedness of, I.M.A. Industria Macchine Automatiche S.p.A. (the "**Company**") and its subsidiaries by IMA Bidco S.p.A. ("**IMA Bidco**"), a subsidiary of the Issuer.

The Issuer will pay interest on the Senior Secured Floating Rate Notes at a rate equal to the sum of (i) three-month EURIBOR (with 0% floor), plus (ii) 4.00% per annum, reset quarterly. The Issuer will pay interest on the Senior Secured Floating Rate Notes quarterly in arrears on January 15, April 15, July 15, and October 15 of each year, commencing on April 15, 2021. The Senior Secured Floating Rate Notes will mature on January 15, 2028. At any time prior to January 15, 2022, the Issuer will be entitled, at its option, to redeem all or a portion of the Senior Secured Floating Rate Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus the relevant "make-whole" premium. At any time on or after January 15, 2022, the Issuer may redeem all or a portion of the Senior Secured Floating Rate Notes, at the redemption prices set forth in this Offering Memorandum (the "**Offering Memorandum**"). The Issuer will pay interest on the Senior Secured Fixed Rate Notes semiannually in arrears on January 15 and July 15 of each year, commencing on July 15, 2021 The Senior Secured Fixed Rate Notes will mature on January 15, 2028. At any time prior to January 15, 2023, the Issuer will be entitled, at its option, to redeem all or a portion of the Senior Secured Fixed Rate Notes by paying a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus the relevant "make-whole" premium. In addition, at any time prior to January 15, 2023, the Issuer may redeem up to 40% of the aggregate principal amount of the Senior Secured Fixed Rate Notes with the net proceeds from certain equity offerings. At any time on or after January 15, 2023, the Issuer may redeem all or a portion of the Senior Secured Fixed Rate Notes, at the redemption prices set forth in this Offering Memorandum. At any time prior to January 15, 2023, the Issuer may redeem up to 10.0% of the aggregate principal outstanding amount of the Senior Secured Fixed Rate Notes during each calendar year commencing from the Issue Date, at a redemption price equal to 103.0% of the principal amount of the Senior Secured Fixed Rate Notes redeemed, plus accrued and unpaid interest and additional amounts, if any. Upon the occurrence of certain events constituting a change of control, the Issuer may be required to make an offer to repurchase all of the Notes at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any. However, a change of control will not be deemed to have occurred if a specified consolidated net leverage ratio is not exceeded in connection with such event. In addition, the Issuer may redeem all, but not less than all, of the Notes upon the occurrence of certain changes in applicable tax law. See "*Description of the Notes*".

Pending the consummation of the Transactions, and the satisfaction of certain other conditions as described herein, following the repayment in full of outstanding amounts under the Senior Secured Bridge Facility, an amount equal to the gross proceeds of the offering of the Floating Rate Notes and Fixed Rate Notes, less any amounts used to repay the Senior Secured Bridge Facility on the Issue Date and to pay certain fees in relation to the Offering, will be deposited into segregated escrow accounts (the "**Escrow Accounts**") pursuant to the terms of an escrow agreement (the "**Escrow Agreement**") dated as of the Issue Date among the Issuer, the Trustee, Citibank, N.A., London Branch, as escrow agent (the "**Escrow Agent**") and the issuing banks and the fronting banks under the Senior Secured Bridge Facility (or an agent on their behalf), in the name of the Issuer but controlled by the Escrow Agent and pledged in favor of the Trustee on behalf of the holders of the Senior Secured Floating Rate Notes and the Senior Secured Fixed Rate Notes, respectively. At any time following the Issue Date, the Issuer may elect, in its sole discretion and subject to certain conditions, to redeem Notes in an amount equal to the lesser of (i) the aggregate principal amount of the Notes that have not been the subject of a release and (ii) €350.0 million of the Notes, at a price equal to 100% of the initial issue price of the Notes redeemed plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to, but excluding, the Special Redemption Date (as defined below). See "*Description of the Notes—Escrow of Proceeds; Special Redemption.*"

The Notes will be senior obligations of the Issuer and will rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes. On the Issue Date, the Notes will be guaranteed by IMA Bidco. Subsequently, the Notes will be guaranteed jointly and severally on a senior basis, subject to the Agreed Security Principles, by each Subsidiary of the Issuer that is a guarantor under the Revolving Credit Facility (such guarantees being "**Guarantees**" and IMA Bidco and such Subsidiaries, the "**Guarantors**").

On the Issue Date, the Notes will be secured by security interests in the Notes escrow accounts. Subject to and in accordance with the Agreed Security Principles, the Intercreditor Agreement and certain perfection requirements, other security interests will be provided in favor of the Notes on specified dates over the Notes Collateral (as defined herein). See "*Description of the Notes—Security*". Following completion of the Transactions, we may (or may be required to) undertake a series of possible mergers and reorganizations. See "*The Transactions*" and "*Summary Corporate and Financing Structure*." Such reorganizations may change the security and guarantees relating to and securing the Notes. Under the terms of the Intercreditor Agreement (as defined herein) to be entered into in connection with this Offering, in the event of enforcement of the Notes Collateral, the holders of the Notes will receive proceeds from such collateral only after lenders under the Revolving Credit Facility and the Guarantee Facility (each as defined herein) and counterparties to certain hedging agreements have been repaid in full. In addition, the Guarantees and the security interests in the Notes Collateral may be released under certain circumstances and the Guarantees and the Notes Collateral will be subject to legal and contractual limitations. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral*", "*Description of Certain Financing Arrangements—Intercreditor Agreement*", "*Description of the Notes—Security*" and "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Law Considerations*".

This Offering Memorandum includes information on the terms of the Notes and the Guarantees, including redemption and repurchase prices, covenants and transfer restrictions. See "*Description of the Notes*". Subject to and as set forth in "*Description of the Notes—Withholding Taxes*", the Issuer will not be liable to pay any additional amounts to holders of the relevant series of Notes in relation to any withholding or deduction required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as the same may be amended or supplemented from time to time) where the Notes are held by a person resident in a country that does not allow for satisfactory exchange of information with Italy and otherwise in the circumstances as described in "*Description of the Notes—Withholding Taxes*".

Subject to admission to listing on the Official List of the Luxembourg Stock Exchange and admission to trading on the Euro MTF Market thereof on the Issue Date, the Notes are subject to the tax regime provided for by Italian Legislative Decree No. 239 of April 1, 1996 ("**Decree No. 239/1996**").(see "*Description of the Notes—Withholding Taxes*")

There is currently no public market for the Notes. Application will be made for the Notes to be listed on the Issue Date on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market thereof. There is no assurance that the Notes will be, or will remain, listed and admitted to trading on the Euro MTF Market. This Offering Memorandum constitutes a prospectus for the purpose of the Luxembourg law dated July 16, 2019 on prospectus for securities.

Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 37 of this Offering Memorandum.

Price for the Senior Secured Floating Rate Notes: 99.75% plus accrued interest from the Issue Date
Price for the Senior Secured Fixed Rate Notes: 100.00% plus accrued interest from the Issue Date

We expect that the Notes will be delivered in book-entry form through Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**") on or about December 29, 2020.

This Offering Memorandum does not constitute an offer to sell, or the solicitation of an offer to buy, securities in any jurisdiction where such offer or solicitation is unlawful. The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction. Unless they are registered, the Notes may be offered only in transactions that are exempt from registration under the Securities Act or the securities laws of any other jurisdiction. Accordingly, the Issuer is offering the Notes only to (i) "qualified institutional buyers" (as defined in Rule 144A under the Securities Act ("Rule 144A")) ("QIBs") in reliance on Rule 144A, and (ii) non-U.S. persons outside the United States in offshore transactions (as defined in Regulation S under the Securities Act ("Regulation S")) in reliance on Regulation S. For a description of certain restrictions on the transfer of the Notes, see "*Plan of Distribution*" and "*Transfer Restrictions*".

Global Coordinator and Physical Bookrunner

J.P. Morgan

Joint Global Coordinators and Joint Bookrunners

BNP PARIBAS | **UniCredit Bank** | **Mediobanca** | **Morgan Stanley**

Crédit Agricole CIB | **Mizuho Securities** | **NatWest Markets**

The date of this Offering Memorandum is December 29, 2020.

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In making an investment decision, you should rely only on the information contained in this Offering Memorandum. None of the Issuer, the Guarantors or any of the Initial Purchasers has authorized anyone to provide you with information that is different from the information contained herein. If given, any such information should not be relied upon. None of the Issuer, the Guarantors or any of the Initial Purchasers is making an offer of the Notes in any jurisdiction where this Offering is not permitted. You should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the front cover of this Offering Memorandum.

IMPORTANT INFORMATION FOR INVESTORS

As used in this Offering Memorandum, unless the context otherwise requires or as otherwise specified herein, references to the "Issuer" are to Sofima Holding S.p.A. and references to "we", "us", "our", the "Group" are to the Issuer and its consolidated subsidiaries from time to time, including the Company and its subsidiaries.

This document does not constitute a prospectus for the purposes of Section 12(a)(2) of or any other provision of or rule under the Securities Act.

You should rely only on the information contained in this Offering Memorandum. We have not, and J.P. Morgan Securities plc, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Mediobanca – Banca di Credito Finanziario S.p.A., Mizuho Securities Europe GmbH, Morgan Stanley & Co. International Plc, NatWest Markets N.V., and UniCredit Bank AG (the "**Initial Purchasers**") have not, authorized anyone to provide you with information that is different from the information contained herein. We are not, and the Initial Purchasers are not, making an offer of these securities in any jurisdiction where such offer is not permitted. You should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the front of this Offering Memorandum. This Offering Memorandum is based on information provided by us and other sources believed by us to be reliable. None of the Initial Purchasers, and no employee or affiliate of the Initial Purchasers, to the extent permitted by law, has authorized the contents or circulation of this Offering Memorandum, and none of the Initial Purchasers, and no employee or affiliate of the Initial Purchaser, assumes any responsibility for, and no such person will accept any liability for, any loss suffered as a result of, arising out of, or in connection with this document or any of the information or opinions contained in it. In accordance with normal and accepted market practice, none of the Trustee, Security Agent, Transfer Agent, Calculation Agent, Paying Agent nor Registrar (each as defined below) is responsible for the contents of this Offering Memorandum or expresses any opinion as to the merits of the Notes under this Offering Memorandum.

This Offering Memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose.

Accordingly, the Notes may not be offered or sold, directly or indirectly, and this Offering Memorandum may not be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Notes or possess or distribute this Offering Memorandum and you must obtain all applicable consents and approvals; neither we nor the Initial Purchasers shall have any responsibility for any of the foregoing legal requirements. Please see "*Transfer Restrictions*".

In making an investment decision regarding the Notes offered hereby, you must rely on your own examination of the Issuer and the Guarantors and the terms of this Offering, including the merits and risks involved. You should rely only on the information contained in this Offering Memorandum. We have not, and the Initial Purchasers have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this Offering Memorandum is accurate as of the date on the front cover of this Offering Memorandum only. Our business, financial condition, results of operations and the information set forth in this Offering Memorandum may have changed since that date.

You should not consider any information in this Offering Memorandum to be investment, legal or tax advice. You should consult your own counsel, accountant and other advisors for legal, tax, business, financial and related advice regarding purchasing the Notes. We are not, and the Initial Purchasers are not, making any representation to any offeree or purchaser of the Notes regarding the legality of an investment in the Notes by such offeree or purchaser under appropriate investment or similar laws. This Offering Memorandum is to be used only for the purposes for which it has been published.

We obtained the market data used in this Offering Memorandum from internal surveys, industry sources and currently available information. Although we believe that our sources are reliable, you should keep in mind that we have not independently verified information we have obtained from industry and governmental sources and that information from our internal surveys has not been verified by any independent sources. See "*Market and Industry Data*".

The contents of our website do not form any part of this Offering Memorandum.

We may withdraw this Offering at any time, and we and the Initial Purchasers reserve the right to reject any offer to purchase the Notes in whole or in part and to sell to any prospective investor less than the full amount of the Notes sought by such investor. The Initial Purchasers and certain related entities may acquire a portion of the Notes for their own accounts.

The application we have made to the Official List of the Luxembourg Stock Exchange for the Notes to be listed and admitted to trading, on the Issue Date, on the Luxembourg Stock Exchange's Euro MTF Market may not be approved as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this admission to trading.

The Notes and the Guarantees have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes and the Guarantees are being offered and sold outside the United States in reliance on Regulation S and within the United States to "qualified institutional buyers" ("**QIBs**") in reliance on Rule 144A of the Securities Act ("**Rule 144A**"). Prospective purchasers are hereby notified that the sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain other restrictions on offers, sales and transfers of the Notes and the distribution of this Offering Memorandum, see "*Transfer Restrictions*".

The Notes and the Guarantees have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Offering of the Notes or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense in the United States.

The Notes and the Guarantees are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration thereunder or exemption therefrom. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including "*Description of the Notes*" and "*Book-Entry, Delivery and Form*", is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream Banking currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear and Clearstream Banking, we accept no further responsibility in respect of such information.

The distribution of this Offering Memorandum and the offer and sale of the Notes may be restricted by law in certain jurisdictions. None of the Issuer, Guarantors, Initial Purchasers, Trustee, Security Agent, Transfer Agent, Calculation Agent, Paying Agent or Registrar or their respective representatives are making any representation to any offeree or any purchaser of the Notes regarding the legality of any investment in the Notes by such offeree or purchaser under applicable laws or regulations. You must inform yourself about, and observe, any such restrictions. See "*Notice to U.S. Investors*", "*Notice to Certain European Investors*", "*Plan of Distribution*" and "*Transfer Restrictions*" elsewhere in this Offering Memorandum. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the Notes or possess or distribute this Offering Memorandum and must obtain any consent, approval or permission required for your purchase, offer or sale of the Notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. We are not, and the Initial Purchasers are not, making an offer to sell the Notes or a solicitation of an offer to buy any of the Notes to any person in any jurisdiction except where such an offer or solicitation is permitted.

STABILIZATION

IN CONNECTION WITH THIS OFFERING, J.P. MORGAN SECURITIES PLC (THE "STABILIZING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILIZING MAY NOT NECESSARILY OCCUR. ANY STABILIZING ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFERING OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZING ACTION OR OVER ALLOTMENT MUST BE CONDUCTED BY THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

NOTICE TO U.S. INVESTORS

In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements that are described in this Offering Memorandum. See "*Transfer Restrictions.*"

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in the Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes are being offered and sold outside the United States in reliance on Regulation S and within the United States to QIBs in reliance on Rule 144A of the Securities Act. Prospective purchasers are hereby notified that the sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain other restrictions on offers, sales and transfers of the Notes and the distribution of this Offering Memorandum, see "*Transfer Restrictions*." The Notes and the Guarantees have not been approved or disapproved by the SEC, any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Offering of the Notes or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense in the United States.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration thereunder or exemption therefrom. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

NOTICE TO CERTAIN OTHER INVESTORS

European Economic Area and the United Kingdom

This Offering Memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under Regulation (EU) 2017/1129, as subsequently amended and supplemented, (the "**Prospectus Regulation**") from the requirement to produce a prospectus for offers or listing of the Notes. In relation to each Member State and to the United Kingdom ("**UK**"), where the Prospectus Regulation continues to temporarily apply pursuant to the Withdrawal Agreement between the UK and the European Union, no offer of Notes to the public in that Member State or the UK may be made other than:

(a) to any legal entity which is a Qualified Investor;

(b) to fewer than 150 natural or legal persons other than a Qualified Investor; or

(c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes shall require us or any of the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation. Accordingly, any person making or intending to make any offer within the European Economic Area (the "**EEA**") or the UK of the Notes should only do so in circumstances in which no obligation arises for us or any of the Initial Purchasers to produce a prospectus for such offer. Neither we nor the Initial Purchasers have authorized, nor do authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this Offering Memorandum.

For the purposes of this section, the expression an "offer of Notes to the public" in relation to any Notes in any Member State or the UK means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes

Prohibition of Sales to EEA and UK Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the EEA or the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU as amended ("**MiFID II**"); (ii) a customer within the meaning of Directive 2016/97/EU, as amended (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a Qualified Investor. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or the UK has been prepared. Offering or selling the Notes or otherwise making them available to any retail investor in the EEA or the UK may be unlawful under the PRIIPs Regulation.

MIFID II Product Governance/Professional Investors and ECPs-Only Target Market

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion in relation to the type of clients criteria only that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**Distributor**") should take into consideration the manufacturers' target market assessment; *however*, a Distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

United Kingdom

In the United Kingdom, the applicable provisions of the Financial Services and Markets Act 2000 ("**FSMA**") must be complied with in respect of anything done in relation to the Notes in, from or otherwise involving the United Kingdom. In the United Kingdom, this Offering Memorandum and any other material in relation to the Notes described herein are being distributed only to, and are directed only at, persons who (i) are outside of the United Kingdom; (ii) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**"), (iii) are person falling within Article 49(2)(a) to (d) of the Financial Promotion Order (high net-worth companies, unincorporated associations, etc.), or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) in connection with the issue or sale of any Notes may otherwise lawfully be communicated (all such persons together being referred to as "**Relevant Persons**"). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. This Offering Memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by any recipients to any other person in the United Kingdom. Any person in the United Kingdom that is not a Relevant Person should not act or rely on this Offering Memorandum or its contents.

Italy

The Offering has not been cleared by the Commissione Nazionale per la Società e la Borsa ("**CONSOB**") (the Italian securities exchange commission), pursuant to Italian securities legislation and will not be subject to formal review by CONSOB. Accordingly, no Notes may be offered, sold or delivered, directly or indirectly nor may copies of this Offering Memorandum or of any other document relating to the Notes be distributed in the Republic of Italy, except (a) to qualified investors (*investitori qualificati*) as defined in the Prospectus Regulation and Article 100 of the Italian Legislative Decree No. 58 of February 24, 1998, as amended (the "**Consolidated Financial Act**"); and (b) in any other circumstances which are exempted from the rules on public offerings pursuant to the Prospectus Regulation, the Consolidated Financial Act and the implementing CONSOB Regulations, including CONSOB Regulation No. 11971 of May 14, 1999, as amended ("**Issuers' Regulation**") and CONSOB Regulation No. 20307 of February 15, 2018, as amended ("**CONSOB Regulation on Intermediaries**").

Each Initial Purchaser has represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of this Offering Memorandum or of any other document relating to the Notes in the Republic of Italy will be carried out in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Any such offer, sale or delivery of the Notes or distribution of copies of this Offering Memorandum or any other document relating to the Notes in the Republic of Italy must be in compliance with the selling restrictions under (a) and (b) above and must be:

(a) made by *soggetti abilitati* (including investment firms, banks or financial intermediaries, as defined by Article 1, first paragraph, letter r, of the Consolidated Financial Act), to the extent duly authorized to engage in the placement and/or underwriting and/or purchase of financial instruments in the Republic of Italy in accordance with the relevant provisions of the Consolidated Financial Act, the Issuers' Regulation, the CONSOB Regulation on Intermediaries, as amended, Italian Legislative Decree No. 385 of September 1, 1993, as amended (the "**Consolidated Banking Act**") and any other applicable laws and regulations;

(b) in compliance with all applicable laws and regulations or requirements or limitations that may be imposed from time to time by CONSOB, the Bank of Italy (including, the reporting requirements, where applicable, pursuant to Article 129 of the Consolidated Banking Act and the implementing guidelines of the Bank of Italy, issued on August 25, 2015, as amended on August 10, 2016 and as further as amended from time to time) or any other relevant Italian competent authorities.

Any investor purchasing the Notes is solely responsible for ensuring that any offer, sale, delivery or resale of the Notes by such investor occurs in compliance with applicable laws and regulations.

For selling restrictions in respect of Italy, see also "*Notice to Certain European Investors—European Economic Area and the United Kingdom*" above.

ITALIAN "WHITE LIST STATES"

In order to qualify as eligible to receive interest free from Italian *imposta sostitutiva* (Italian substitute tax) under Decree No. 239/1996, *inter alia*, non-Italian resident holders of the Notes and beneficial interest therein must be beneficial owners resident for tax purposes in, or "institutional investors" established in, a country which the Italian government identifies as allowing for a satisfactory exchange of information with Italy, as listed in the Italian Ministerial Decree dated September 4, 1996, as amended from time to time, or, as from the tax year in which the Ministerial Decree to be issued under Article 11, paragraph 4, let. c) of Decree No. 239/1996 is effective, in a country therein included (the "**White List**"). See "*Certain Tax Considerations—Interest Received by Non-Italian Resident holders of the Notes*." Subject to certain limited exceptions, such as for central banks and supranational bodies established in accordance with international agreements in force in Italy, this residency requirement applies to all holders of the Notes and beneficial interests therein, including ultimate beneficiaries of interest payments under the Notes holding via sub-accounts to which interests in the Notes may be allocated upon purchase or thereafter. In the case of failure to comply with the requirements and procedures set forth in Decree No. 239/1996, an Italian substitute tax will apply on any payment made in respect of the Notes to a non-Italian resident holder of the Notes, at a rate of 26.0% or the rate applicable *pro tempore* under Decree No. 239/1996 (possibly reducible under double taxation treaties entered into by Italy, where applicable). In respect of such Italian substitute tax, no Additional Amount (as defined in "*Description of the Notes—Withholding Taxes*") shall be payable by the Issuer, the Guarantor or any intermediary intervening in the payments under the Notes. As of the date of this Offering Memorandum, the White List includes the following countries:

Albania
Alderney
Algeria
Andorra
Anguilla
Argentina
Armenia
Aruba
Australia
Austria
Azerbaijan
Bangladesh
Barbados
Belarus
Belgium
Belize
Bermuda
Bosnia and Herzegovina
Brazil
British Virgin Islands
Bulgaria
Cameroon
Canada
Cayman Islands
Chile
China (People's Rep.)
Colombia
Congo (Rep.)
Cook Islands
Costa Rica
Croatia
Curacao
Cyprus
Czech Republic
Denmark
Ecuador
Egypt
Estonia
Ethiopia
Faroe Islands
Finland
France
Georgia
Germany
Ghana
Gibraltar
Greece
Greenland
Guernsey
Herm
Holy See (Vatican City State)
Hong Kong
Hungary
Iceland
India
Indonesia
Ireland
Isle of Man
Israel
Ivory Coast
Japan
Jersey
Jordan
Kazakhstan
Kirghizstan
Kuwait
Latvia
Lebanon
Liechtenstein
Lithuania
Luxembourg
Macedonia
Malaysia
Malta
Mauritius
Mexico
Moldova
Monaco
Montenegro
Montserrat
Morocco
Mozambique
Nauru
Netherlands
New Zealand
Nigeria
Niue
Norway
Oman
Pakistan
Philippines
Poland
Portugal
Qatar
Romania
Russia
Saint Vincent and the Grenadines
Samoa
San Marino
Saudi Arabia
Senegal
Serbia
Seychelles
Singapore
Slovak Republic
Slovenia
South Africa
South Korea
Spain
Sri Lanka
St. Kitts and Nevis
St. Maarten
Sweden
Switzerland
Syria
Taiwan
Tajikistan
Tanzania
Thailand
Trinidad and Tobago
Tunisia
Turkey
Turkmenistan
Turks and Caicos Islands
Uganda
Ukraine
United Arab Emirates
United Kingdom
United States
Uruguay
Uzbekistan
Venezuela
Vietnam
Zambia

You are advised to consult your own attorney, accountant and business adviser as to legal, tax, business, financial and related matters concerning the purchase of Notes. The White List may change and the Issuer has no obligation to provide notice of any such change. Holders of the Notes will bear the risk of changes in the White List and should therefore inform themselves of any such changes.

CERTAIN DEFINITIONS

Unless otherwise specified or the context requires otherwise, in this Offering Memorandum:

- "**2019 Reform**" means the reform of the Italian insolvency laws and of the regulation of over-indebtedness crises introduced in 2019;
- "**After-Sales**" refers to after-sales products and services;
- "**Backlog**" means the contracted future revenue relating to all signed orders from customers;
- "**BC Partners**" refers to BC Partners LLP or one or more of the funds or entities managed or advised by it;
- "**Book-Entry Interests**" means collectively (i) the Rule 144A Restricted Book-Entry Interests, (ii) the Regulation S Book-Entry Interests and (iii) the Regulation S Book-Entry Interests;
- "**Business Day**" refers to each day that is not a Saturday, Sunday or other day on which banking institutions in Milan, Italy, New York City, New York, United States of America, or London, United Kingdom are authorized or required by law to close;
- "**Class A Shares**" means the Class A ordinary shares of SOFIMA;
- "**Class B Shares**" means the Class B shares of SOFIMA, having multiple voting rights (*voto plurimo*) pursuant to Article 2351, para. 4 of the Italian Civil Code;
- "**Class Exemptions**" means collectively: (i) PTCE 84-14; (ii) PTCE 90-1; (iii) PTCE 91-38; (iv) PTCE 95-60; and (v) PTCE 96-23;
- "**Clearstream**" means Clearstream Banking, *société anonyme*;
- "**Code**" means the U.S. Internal Revenue Code of 1986, as amended;
- "**Code of Business Crisis and Insolvency**" means Italian Legislative Decree No. 14 of January 12, 2019;
- "**Common Depositary**" means the common depositary of the Rule 144 Global Notes for the accounts of Euroclear, as operator of the Euroclear system, and Clearstream Banking, *société anonyme*;
- "**Company Merger**" means the merger of the Issuer, IMA Bidco and the Company on terms complying with Articles 2501-bis (et seq.) of the Italian Civil Code;
- "**Company MergerCo**" means the surviving entity of the Company Merger;
- "**Company**" means I.M.A. Industria Macchine Automatiche S.p.A., a joint stock company (*società per azioni*) incorporated in Italy;
- "**Completion Date**" means the date of completion of the MTO.
- "**CONSOB Regulation on Intermediaries**" means CONSOB Regulation No. 20307 of February 15, 2018, as amended;
- "**CONSOB**" means the *Commissione Nazionale per la Società e la Borsa* (the Italian securities exchange commission);
- "**Consolidated Banking Act**" means Italian Legislative Decree No. 385 of September 1, 1993, as amended;
- "**Consolidated Financial Act**" means Italian Legislative Decree No. 58 dated February 24, 1998, as amended;
- "**Consolidated Financial Statements**" means the English translation of the audited consolidated financial statements of the Group as of and for the years ended December 31, 2017, 2018 and 2019 prepared in accordance with IFRS, audited by EY S.p.A., prepared in accordance with IFRS and containing the English translation of the auditors' reports therein;
- "**CRS**" means the common reporting standard;
- "**Debt Push Company Merger**" means the merger of the Delisting MergerCo and the Issuer;
- "**Debt Push MergerCo**" means the surviving entity of the Merger;

- "**Decree 231**" means Italian Legislative Decree 231/2001;
- "**Decree 83/2015**" means the Law Decree no. 83/2015, containing urgent reforms applicable, *inter alia*, to Italian bankruptcy law, which was approved by the Italian Government on June 23, 2015, entered into force in June 2015 and converted into law by Law No. 132/2015;
- "**Decree No. 201/2011**" means Italian Law Decree no. 201 of 6 December 2011;
- "**Decree No. 239/1996**" means Italian Legislative Decree No. 239 of April 1, 1996;
- "**Decree No. 461/1997**" means Italian Legislative Decree No. 461 of 21 November 1997, as subsequently amended and supplemented;
- "**Decree No. 917**" means Italian Presidential Decree No. 917 of December 22, 1986, as amended and supplemented;
- "**Definitive Registered Notes**" means the definitive registered Notes in certificated form that each of Euroclear and Clearstream reserves the right to obtain in exchange for the Global Notes, if there is an event of default under the Notes;
- "**Delisting Merger**" means the merger of IMA Bidco and the Company on terms complying with Articles 2501 (et seq.) of the Italian Civil Code;
- "**Delisting MergerCo**" means the surviving entity of the Delisting Merger;
- "**Delisting**" means the delisting of the Outstanding Company Shares from the *Mercato Telematico Azionario* organized and managed by Borsa Italiana S.p.A.;
- "**Disposal Plan**" means a plan, prepared by the relevant extraordinary commissioner(s), which can provide for the sale of the business as a going concern within one year (unless extended by the Ministry);
- "**Distributor**" means any person subsequently offering, selling or recommending the Notes;
- "**EEA**" means the European Economic Area;
- "**Enhanced Voting Rights**" means the Outstanding Company Shares entitled to two votes in the ordinary and extraordinary shareholders' meetings upon satisfaction of certain requirements, as set out under the Company's by-laws (*voto maggiorato*);
- "**Enhanced Voting Rights Shares**" means the 22,295,194 ordinary Outstanding Company Shares with Enhanced Voting Rights held by SOFIMA;
- "**Equity Contribution**" means the equity contribution to the Issuer by the sellers and BC Partners, in the form of (i) €1,516.1 million in Outstanding Company Shares owned by the sellers and BC Partners and contributed through intermediate holding companies to the Issuer and ultimately to IMA Bidco as of the date of this Offering Memorandum (22,295,194 Outstanding Company Shares valued at €68.00 each), and (ii) a cash contribution of €789.1 million (including the proceeds of up to €310.0 million in principal amount of payment-in-kind secured notes of a parent entity which mature after the Notes), of which approximately €189.0 million has been contributed as of the date of this Offering Memorandum (including €14,943 of cash and cash equivalents of the Issuer, on a standalone basis, outstanding as of September 30, 2020);
- "**ERISA Plans**" means employee benefit plans subject to Title I of ERISA and entities that are deemed to hold the assets of such plans within the meaning of 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA, or otherwise;
- "**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.
- "**EU ETS**" means the EU Emissions Trading System;
- "**Euroclear**" means Euroclear Bank SA/NV;
- "**Facility Agreements**" means collectively the Senior Secured Bridge Facility Agreement, the Revolving Credit Facility Agreement and the Guarantee Facility Agreement;
- "**Finance Act 2017**" means Italian Law No. 232 of December 11, 2016;
- "**Finance Act 2019**" means Italian Law No. 145 of December 30, 2018;
- "**Financial Promotion Order**" means the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended;
- "**First Level Bank**" means an Italian or foreign bank or a financial institution (which could be a non-EU resident);

- "**Food Packaging Regulation**" means the European Commission Regulation on Plastic Materials and Articles Intended to Come into Contact with Food;
- "**Framework Convention on Tobacco Control (FCTC)**" refers to the framework convention for tobacco control adopted by the World Health Organization on May 21, 2003 in Geneva;
- "**FSMA**" means the UK Financial Services and Markets Act 2000;
- "**FTT**" means Italian financial transaction tax pursuant to Law No. 228 of 24 December 2012;
- "**Fund**" means an Italian-resident noteholder that is an open-ended or a closed-ended collective investment fund other than a RE Fund;
- "**Global Notes**" means collectively the Regulation S Global Notes and the Rule 144A Global Notes;
- "**Good Automated Manufacturing Practice (GAMP)**" refers to the guide made by the International Society for Pharmaceutical Engineering for the validation of automated systems in the pharmaceutical industry, which describes a set of principles and procedures that help ensure that pharmaceutical products, packaging included, have the required quality;
- "**Good Manufacturing Practices (GMP)**" refers to the practices required in order to conform to the guidelines recommended by agencies that control authorization and licensing for manufacture and sale of food, drug products, and active pharmaceutical products;
- "**Grandfathered Obligations**" means debt instruments that are outstanding on the date that is six months after the date of the publication of final Treasury Regulations defining the term "foreign passthru payments";
- "**Group**" means the business of the Company and its subsidiaries and not the Issuer;
- "**Guarantee Facility**" means the guarantee facility, to which the Company has acceded as borrower, established pursuant to the super senior guarantee facility dated November 17, 2020, among, *inter alios*, the Issuer, the senior lenders (as named therein), UniCredit S.p.A. as agent and Lucid Trustee Services Limited as security agent, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time;
- "**Guarantee**" means the guarantee of the obligations of the Issuer by any Guarantor and subject to the agreed security principles;
- "**Guarantor**" means (i) on the Issue Date, IMA Bidco and (ii) subsequently, each subsidiary of the Issuer that is a guarantor under the Revolving Credit Facility;
- "**IFRS**" means International Financial Reporting Standards as adopted by the EU;
- "**IMA Bidco**" means IMA Bidco S.p.A., a joint stock company (*società per azioni*) incorporated in Italy;
- "**IMA Board**" means the new board of directors that will be installed at the level of the Company, upon completion of the Transactions;
- "***imposta sostitutiva***" means the substitute tax provided for by Decree No. 239/1996;
- "**Indenture**" means the indenture governing the Notes;
- "**Initial Collateral**" means collectively the security interests the following: (i) a pledge by the direct parent of the Issuer over shares owned by it in the capital of the Issuer; (ii) a pledge over the shares in IMA Bidco owned by the Issuer; (iii) a pledge over the structural intercompany receivables (if any) owed to the Issuer by IMA Bidco (if any, otherwise no such pledge shall be granted); (iv) a pledge over the shares owned by IMA Bidco it in Company (v) a pledge over the structural intercompany receivables (if any) owed to IMA Bidco by the Company; (vi) within twenty (20) Business Days after (and excluding) the date of completion of the MTO, and (vii) a pledge over the shares owned by IMA Bidco in the Company (to the extent not previously pledged);
- "**Initial Purchasers**" means J.P. Morgan Securities plc, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Mediobanca—Banca di Credito Finanziario S.p.A., Mizuho Securities Europe GmbH, Morgan Stanley & Co. International Plc, NatWest Markets N.V., and UniCredit Bank AG;

- "**Insurance Distribution Directive**" means Directive (EU) 2016/97, as amended;
- "**Interest**" means the interest, premium and other income (including the difference between the redemption amount and the issue price);
- "**Intermediary**" means banks, SIM, fiduciary companies, SGR, stockbrokers and qualified entities, identified by a decree of the MEF;
- "**IRAP**" means the Italian regional tax on productive activities;
- "**IRES**" means Italian Corporate income tax;
- "**Issue Date**" means the date of original issuance of the Notes;
- "**Issuer Financial Statements**" means the English translation of the audited consolidated financial statements of the Issuer as at September 30, 2020 and for the period from September 16, 2020 prepared in accordance with IFRS and audited by EY S.p.A., containing the English translation of the auditors' report therein.
- "**Issuer**" means Sofima Holding S.p.A, a joint stock company (*società per azioni*) incorporated in Italy;
- "**Issuers' Regulation**" means the CONSOB Regulation No. 11971 of May 14, 1999, as amended;
- "**Italian Bankruptcy Law**" means the Royal Decree No. 267 of March 16, 1942, as reformed and currently in force;
- "**Italian Civil Code**" means the Royal Decree No. 262 of March 16, 1942, as subsequently amended and supplemented;
- "**Italian Guarantor**" means each Guarantor incorporated and resident for tax purposes in the Republic of Italy;
- "**Italian Resident Noteholder**" means an Italian resident beneficial owner of the Notes;
- "**IVAFE**" means the Italian wealthy tax Italian resident individuals, non-commercial entities, including trusts and foundations, and so called *società semplici* (and similar partnerships pursuant to Article 5 of Decree No. 917) holding Notes outside the Italian territory are required to pay pursuant to Decree No. 201/2011;
- "**Law 132/2015**" means Law No. 132/2015, converting the Decree 83/2015 and entered into force on August 21, 2015;
- "**Law 95/2015**" means Italian Law No. 95/2015;
- "**Law Decree 69/2013**" means Law Decree No. 69/2013 as converted into Law No. 98/2013;
- "**LBO**" means an acquisition bank loan in leveraged buyout;
- "**Loyalty Share Register**" means the special shareholders' register held by the Company for the registration of shares having Enhanced Voting Rights;
- "**Maintenance Capital Expenditures**" refers to cash expenditures (including expenditures for the addition or improvement to or replacement of the assets owned by the Company) made to maintain the long-term operating capacity of the Company's assets;
- **"Majority List"** means the list for the appointment of the members of the board of directors that obtains, at the shareholders' meeting, the largest number of votes;
- "**Medium to Long Term Variable Remuneration**" means the "medium to long term" variable remuneration granted to all executive directors and key managers provided for by the remuneration policy of the Company, which was approved by the board of directors on March 12, 2020 and by the shareholders' meeting held on June 10, 2020;
- **"MEF"** means the Italian Ministry of Economy and Finance;
- "**Member State**" means a member state of the European Union;
- "**Mergers**" means the following transactions collectively: (i) the Company Merger; (ii) the Debt Push Company Merger; and (iii) the Delisting Merger.
- "**MiFID II**" means Directive 2014/65/EU as amended;

- "**Ministry**" means the Italian Ministry of Economic Development;
- "**Minority List**" means the list obtaining, at the shareholders' meeting, the second largest number of votes, that is not related in any way, directly or indirectly, with the shareholders who submitted or voted for the Majority List;
- "**MTO Price**" means the purchase price of the MTO equal to €68.00 per share;
- "**MTO**" means the mandatory tender offer to the remaining minority shareholders for all of the Outstanding Company Shares not owned by IMA Bidco (excluding 381,069 Outstanding Company Shares held by certain related parties of IMA Bidco) in accordance with the provisions set out, *inter alia*, in the Consolidated Financial Act and the Issuers' Regulation;
- "**New Generation Products**" means products alternative to traditional tobacco products such as opened or closed vapor-based products, disposable cig-a-like, tank system, e-liquid, rechargeable cig-a-like and cartridges, closed tank, heated-tobacco-products;
- "**New Orders Intake**" means the value of orders that are added to our Backlog during a given period and also includes cancellations of work or changes to existing contracts already in our Backlog;
- "**Notes Collateral**" means collectively the Initial Collateral and any other collateral securing the Notes;
- "**Notes**" means the Senior Secured Floating Rate Notes and the Senior Secured Fixed Rate Notes;
- "**OCRI**" means *Organismo di Composizione della Crisi di Impresa*;
- "**OECD Agreement**" means the OECD's multilateral competent authority agreement;
- "**OECD**" means the Organization for Economic Co-operation and Development;
- "**Offering Memorandum**" means this offering memorandum in relation to the Offering;
- "**Offering**" means the offering of Notes hereby;
- "**Original Equipment**" refers to complex machinery for companies in the pharmaceutical, food and beverage, tobacco and other industries that we design, develop, assemble and install;
- "**OSHA**" means the Occupational Safety and Health Act of 1970;
- "**Outstanding Company Shares**" means all shares authorized and issued by the Company, excluding treasury shares;
- "**Paying Agent**" means The Bank of New York Mellon, London Branch;
- "**Pension Fund Tax**" means the 20.0% substitute tax due in Italy by Italian pension funds on their management result accrued at the end of each tax period;
- "**Plan Fiduciary**" means any fiduciary or other person investing the assets of a Plan;
- "**Plans**" means collectively (i) plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts; and (ii) ERISA Plans;
- "**PRIIPs Regulation**" means Regulation (EU) No 1286/2014;
- "**Prospectus Regulation**" refers to Regulation (EU) 2017/1129, as subsequently amended and supplemented;
- "**PTCE**" means Prohibited Transaction Class Exemption;
- "**Purchase Agreement**" means a purchase agreement pursuant to which the Issuer has agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from the Issuer the entire principal amount of the Notes;
- "**QIBs**" or "**Qualified Institutional Buyers**" means qualified institutional buyers as defined in Rule 144A;
- "**Qualified Investors**" means the qualified investors (*investitori qualificati*), as defined by Article 2, letter (e), of the Prospectus Regulation and Article 100, paragraph 1(a), of the Consolidated Financial Act, as implemented by CONSOB Regulation on Intermediaries and the Issuers' Regulation;

- "**Qualified Stated Interest**" means, generally, stated interest that is unconditionally payable at least annually at a qualifying rate during the entire term of the Note;
- "**RE Funds**" means Italian real estate investments funds;
- "**RE SICAFs**" means Italian real estate close-ended investment companies;
- "**Recast EU Insolvency Regulation**" means Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015, on insolvency proceedings (recast);
- "**Recovery Plan**" means a reorganization leading to the company's economic and financial recovery within two years (unless extended by the Ministry);
- "**Registrar**" means The Bank of New York Mellon SA/NV, Dublin Branch;
- "**Regulation S Book-Entry Interests**" means the interests in the Regulation S Global Notes;
- "**Regulation S Global Notes**" means the global notes in registered form without interest coupons attached under the Securities Act, representing each series of the Regulation S Notes;
- "**Regulation S Notes**" means each series of the Notes sold outside the United States in reliance on Regulation S under the Securities Act;
- "**Regulation S**" means Regulation S under the Securities Act;
- "**Relevant State**" means each Member State of the EEA and the United Kingdom;
- "**Relevant Persons**" means the following persons with reference to the UK: (i) who have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Promotion Order), (ii) falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, (iii) who are outside the United Kingdom or (iv) to whom an invitation or inducement to engage in investment activity within the meaning of section 21 of the FSMA in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated;
- "**Relevant Securities**" means shares and other participating securities issued by Italian resident companies or of financial instruments representing the said shares and/or participating securities (irrespective of whether issued by Italian resident issuers or not);
- "**Restore Liquidity Decree**" means Law Decree No. 23 of 8 April 2020;
- "**ROL**" means EBITDA (*risultato operativo lordo della gestione caratteristica*);
- "**Revolving Credit Facility**" means the revolving credit facility established pursuant to the super senior revolving credit facility agreement to be dated on or prior to the Issue Date, among, *inter alios*, the Issuer, the senior lenders (as named therein), UniCredit S.p.A. as agent and Lucid Trustee Services Limited as security agent, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time;
- "**RPT Procedure**" means the "*Procedure for related-party transactions*" adopted by the Board of Directors of the Company in a meeting held on December 1, 2010;
- "**Rule 144A Global Notes**" means the global notes in registered form without interest coupons attached representing each series of the Rule 144A Notes under the Securities Act;
- "**Rule 144A Notes**" means each series of the Notes sold within the United States to QIBs in reliance on Rule 144A of the Securities Act;
- "**Rule 144A Restricted Book-Entry Interests**" means the interests in the Rule 144A Global Notes;
- "**Rule 144A**" means Rule 144A under the Securities Act;
- "**SARA**" means the Superfund Amendments and Reauthorization Act of 1986;
- "**SEC**" means the U.S. Securities and Exchange Commission;

- "**Second Level Bank**" means an Italian resident bank or brokerage company (SIM), or a permanent establishment in Italy of a non-resident bank or a SIM, acting as depositary or sub-depositary of the Notes appointed to maintain direct relationships, via telematic link, with the Italian Tax Authorities;
- "**Securities Act**" means the U.S. Securities Act of 1933, as amended;
- "**Security Agent**" means Lucid Trustee Services Limited;
- "**Sellers**" means the selling shareholders of SOFIMA, i.e. 4emme S.r.l., Alva S.p.A., Amca S.r.l., Cofiva S.A., Fariniundici S.p.A., Ipercubo S.r.l., Lefa S.r.l., Mefa S.r.l., P.M. Investments S.r.l.
- "**Sell-Out**" means the obligation of IMA Bidco, pursuant to Article 108, paragraph 2 of the Consolidated Financial Act, to purchase from any minority shareholders making a request to such effect, their residual shares in the Company, if, as a result of the MTO, IMA Bidco comes to hold more than 90.0% and less than 95.0% of the share capital of the Company and it does not restore, within 90 days, a floating stock sufficient to ensure a regular trend of trading;
- "**Senior Secured Bridge Facility**" means the senior secured bridge facility entered into on November 17, 2020;
- "**Senior Secured Fixed Rate Notes**" means the €830.0 million 3.75% senior secured fixed rate notes due 2028 expected to be issued on December 29, 2020 in the Offering;
- "**Senior Secured Floating Rate Notes**" means the €450.0 million senior secured floating rate notes due 2028 expected to be issued on December 29, 2020 in the Offering;
- "**Set-Off Right**" means the right of each Italian Guarantor to set-off its obligations relating to a loan and/or financial support (excluding, for the avoidance of doubt, any *versamento a fondo perduto*), received by the Issuer or any other member of the Group against the claims of recourse or subrogation ("*regresso*" or "*surrogazione*") against the Issuer or that member of the Group arising as a result of any payment made by that Italian Guarantor, under the guarantee given in respect of the Notes, the Revolving Credit Facility and the Senior Secured Bridge Facility;
- "**Severance Indemnity**" means the severance indemnity granted to all executive directors provided for by the remuneration policy of the Company, which was approved by the board of directors on March 12, 2020 and by the shareholders' meeting held on June 10, 2020;
- "**SGR**" means an Italian asset management company (*società di gestione del risparmio*);
- "**Short Term Variable Remuneration**" means the "short term" variable remuneration granted to all executive directors and key managers provided for by the remuneration policy of the Company, which was approved by the board of directors on March 12, 2020 and by the shareholders' meeting held on June 10, 2020;
- "**SICAF**" means a close-ended investment company *(società di investimento a capitale fisso);*
- "**SICAV**" means an open ended investment company (*società di investimento a capitale variabile*);
- "**SIM**" means *societa di intermediazione mobiliare*;
- "**Similar Law**" means non-U.S., state, local or other federal laws or regulations that are substantially similar to certain provisions of ERISA and the Code;
- "**SOFIMA**" means So.Fi.M.A. Società Finanziaria Macchine Automatiche S.p.A., a joint stock company (*società per azioni*) incorporated in Italy;
- "**SOFIMA Shareholders' Agreement**" means the shareholders' agreement entered into on November 10, 2020, in connection with the Transactions Agreement, by the Sellers, CO.FI.M.A. Compagnia Finanziaria Macchine Automatiche S.p.A., SOFIMA, BC Partners, SEV Holding S.p.A. and May S.p.A.;
- "**Squeeze-Out**" means (i) the right of IMA Bidco pursuant to Article 111, paragraph 1 of the Consolidated Financial Act to purchase from minority shareholders all of their residual shares in the Company if, as a result of the MTO and/or the fulfilment of its Sell-Out obligations, IMA

Bidco comes to hold at least 95.0% of the share capital of the Company and (ii) the obligation of IMA Bidco pursuant to Article 108, paragraph 1 of the Consolidated Financial Act to purchase from any minority shareholders making a request to such effect their residual shares in the Company;

- "**Stabilizing Manager**" means JP Morgan Securities Plc;
- "**Suspect Period**" means a certain legally specified period provided for the Italian law, in the event that an entity becomes subject to insolvency proceedings, during which guarantees and security interests given said entity or by way of a trust or parallel debt obligation could be subject to potential challenges by the appointed bankruptcy receiver or by other creditors under the rules of ineffectiveness or avoidance or clawback of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or clawback of transactions made by the debtor;
- "**TEHG**" means the Greenhouse Gas Emission Trading Act (*Treibhausemissionshandelsgesetz*);
- "**Tobacco Directive**" means the European Parliament and European Council adopted Directive 2014/40/EU concerning the manufacture, presentation and sale of tobacco and related products;
- "**Transactions Agreement**" means the sale and purchase agreement dated as of July 28, 2020, entered into by and among May Investment S.à.r.l., an entity indirectly owned by BC Partners to acquire, directly or indirectly, approximately 20.0% of the shares of SOFIMA;
- "**Transactions Financing Sources**" means, assuming the Transactions lead to an acquisition of 100.0% of the Outstanding Company Shares by IMA Bidco, collectively: (i) the offering of the Notes in an aggregate principal amount of €1,280.0 million by the Issuer; and, (ii) the Equity Contribution; (iii) €167.1 million in cash and cash equivalents (including other cash equivalents) of the Company as of September 30, 2020 and (iv) €114.5 million in cash and cash equivalents which is expected to be generated from operations of the Company since October 1, 2020 or contributed through equity.
- "**Transactions**" collectively: (i) the offering of the Notes; (ii) the MTO (including any Sell-Out and Squeeze-Out related thereto); (iii) the acquisition of the Company by IMA Bidco; (iv) the refinancing of the outstanding indebtedness of the Company; and (v) the other transactions as set forth under "*Use of Proceeds*" and "*Capitalization*", including the Funding and Repayment Transactions;
- "**Transfer Agent**" means The Bank of New York Mellon SA/NV, Dublin Branch;
- "**Treasury Regulations**" means the U.S. Treasury Regulations;
- "**Trustee**" means BNY Mellon Corporate Trustee Services Limited;
- "**TSCA**" means the United States, Toxic Substances Control Act;
- "**U.S. Holder**" means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust (a) that is subject to the primary supervision of a U.S. court and one or more U.S. persons has the authority to control all of the substantial decisions of the trust or (b) that has made a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person;
- "**UK**" means United Kingdom;
- "**Unaudited Condensed Consolidated Interim Financial Statements**" means the English translation of the unaudited condensed consolidated interim financial statements of the Group as of and for the nine months ended September 30, 2020, prepared in accordance with IAS 34 "*Interim Financial Reporting*";
- "**White List**" means, pursuant to Italian law, the list of countries which allow for a satisfactory exchange of information with Italy, as identified in the Italian Ministerial Decree of September 4, 1996, as amended and supplemented from time to time, or, as from the tax year in which the Italian Ministerial Decree to be issued as per Article 11, par. 4 lett. c), of Decree No. 239/1996 is effective, the list of countries therein included.

GLOSSARY

Below is a list of the main technical terms used in this Offering Memorandum. These terms, unless otherwise specified, have the following meanings. For the terms below, whenever required by the context, the singular form includes plural form and vice versa.

- "**blistering**" refers to machinery that manufacture the aluminum and plastic sheets that hold pills;
- "**CAGR**" means compound annual growth rate;
- "**digitally/sensor-enabled**" means a feature on the machinery that we produce which allows us to interact with the machinery remotely through a secure connection for maintenance and repairs and to implement specific adjustments when needed;
- "**Industry 4.0**" refers to our After-Sales offering of services that include (i) predictive maintenance, (ii) operational efficiency improvement and (iii) digital/data services;
- "**Pharmaceutical**" refers to the Company's business segment consisting of making machinery for the packaging of pharmaceutical capsules and tablets in blisters and bottles, machinery for filling bottles and vials with liquid and powdered products in sterile and non-sterile environments, machinery for freeze-drying, tube-filling, cartoning and bag-filling, systems for the production of tablets and capsules and for coating and fluid-bed granulation, for end-of-line equipment as well as related services;
- "**Research and Development**" and "**R&D**" refer to the Company's activities aimed at developing profitable products and solutions for its customers with whom it often partners to develop products for their specific packaging needs;
- "**resiliency of revenue**" refers to the degree to which a revenue stream continues generally in line with historical norms despite challenging macroeconomic conditions;
- "**Tea, Food & Other**" refers to the Company's business segment consisting of producing machinery for the processing of coffee, machinery for the packaging of tea and herbal teas in filter bags and the packaging of coffee, for the food & beverage sector, for the personal care sector, for the dairy sector and for stock cubes and for primary packaging in the food sector with the use of flexible material (horizontal and vertical flow packs) for assembling medical products, for the tissue segment and the production of electric motors, plus related services;
- "**Tobacco Packaging**" refers to the Company's business segment consisting of designing, manufacturing and marketing machinery and plants for tobacco packaging and related services;
- "**visibility of revenue**" refers to the degree to which a revenue stream can be projected with confidence based on order intake and Backlog.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Memorandum are not historical facts and are "forward-looking" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. This document contains certain forward-looking statements in various sections, including, without limitation, under the headings "*Summary*," "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Business*," and in other sections where this Offering Memorandum includes statements about the Issuer's and the Company's intentions, beliefs or current expectations regarding the Issuer's and the Company's future financial results, plans, liquidity, prospects, growth, strategy and profitability, as well as the general economic conditions of the industry and country in which we operate. We may from time to time make written or oral forward-looking statements in other communications. Forward-looking statements include statements concerning the Issuer's and the Company's plans, objectives, goals, strategies, future events, future sales or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, the Issuer's and the Company's competitive strengths and weaknesses, the Issuer's and the Company's business strategy and the trends the Issuer and the Company anticipate in the industries and the economic, political and legal environment in which the Issuer and the Company operate and other information that is not historical information.

Words such as "believe," "anticipate," "estimate," "continue," "expect," "suggest," "target," "intend," "predict," "project," "ongoing," "should," "would," "could," "may," "will," "forecast," "potential," "seek," "plan" and similar expressions or phrases or, in each case, their negative or other variations or comparable terminology, are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, *inter alia*, those listed under "*Risk Factors*," as well as those included elsewhere in this Offering Memorandum. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. Unless indicated otherwise, in the description of these factors, the terms "we," "us," "our" or the "Group" refer to the business of the Company and its subsidiaries and not the Issuer. These factors include:

- the strong competition we face and the possibility that we may not be able to maintain or expand our current market position;
- our success in protecting our intellectual property, technological know-how and trademarks and avoiding the infringement or allegation of infringement of the intellectual property rights of others;
- the success of our research and development investments in achieving the expected results;
- the loss of, limited use of, or relocation of one or more of our key manufacturing facilities;
- the effect of the Covid-19 pandemic on the global economy and our customers;
- our ability to implement our business strategies or expand into international growth markets and manage future growth effectively;
- our reliance of our supply chain to delivery raw materials and components as needed;
- our ability to maintain the same level of growth experienced in recent years;
- our ability to retain and attract key personnel as well as a specialized labor force;
- the exposure of our Backlog to unexpected adjustments and project cancellations;
- our dependence on information technology as part of our business and the possibility that we could suffer system failures, network disruptions and breaches in data security;
- risks related to the Transactions, the Group's corporate and financing structure, the Notes, the Guarantees and the Collateral; and
- other risks related to the Offering.

The risks listed above and those further described in the "*Risk Factors*" section of this Offering Memorandum are not exhaustive. Other sections of this Offering Memorandum describe additional factors that could adversely affect our business, financial condition and results of operations. New risks emerge from time to time and it is not possible for us to predict all such risks; nor can we assess the impact of all such risks on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not place undue reliance on forward-looking statements as a prediction of actual results.

We urge you to read carefully the sections of this Offering Memorandum entitled "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Industry and Market Data*" and "*Business*" for a more detailed discussion of the factors that could affect our future performance and the markets in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Offering Memorandum may not be accurate or occur at all. Accordingly, prospective investors should not place undue reliance on these forward-looking statements, which speak only as of the date on which the statements were made.

We undertake no obligation, and do not intend, to update or revise any forward-looking statement, whether as a result of new information, future events or developments or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Offering Memorandum.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Issuer is a holding company formed for the purpose of facilitating the Transactions and is not expected to engage in any activities other than those related to its formation and the Transactions. The Issuer's only material assets and liabilities are currently, and are expected in the future to be, its interest in the issued and outstanding shares of its subsidiaries and its outstanding indebtedness and inter-company balances incurred in connection with the Transactions (including approximately 66.82% ownership of Outstanding Company Shares) and the other transactions described in this Offering Memorandum. We do not present in this Offering Memorandum any financial information or financial statements of the Issuer, which was established on September 16, 2020, other than the Issuer Financial Statements (as defined below). See "*Capitalization*". Following the Transactions, the Issuer will undertake normal acquisition accounting procedures that may affect future financial information of the Group.

The Consolidated Financial Statements, the Unaudited Condensed Consolidated Interim Financial Statements and Issuer Financial Statements contained in the F-pages to this Offering Memorandum should be read in conjunction with the relevant notes thereto. Prospective investors are advised to consult their professional advisors for an understanding of: (i) the differences between IFRS and U.S. GAAP and other systems of generally accepted accounting principles and how those differences might affect the financial information included in this Offering Memorandum and (ii) the impact that future additions to, or amendments of, IFRS may have on our results of operations or financial condition, as well as on the comparability of the prior periods. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the board of directors to exercise its judgment in the process of applying accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our financial statements, are disclosed in our Financial Statements.

The historical financial information included in this Offering Memorandum is that of the Company and its consolidated subsidiaries and the Issuer. In particular, this Offering Memorandum includes and presents:

(i) the English translation of the unaudited condensed consolidated interim financial statements of the Group as of September 30, 2020 and for the nine months ended September 30, 2020 and 2019 (the "**Unaudited Condensed Consolidated Interim Financial Statements**"). The Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 "*Interim Financial Reporting*";

(ii) the English translation of the audited consolidated financial statements of the Group as of and for the years ended December 31, 2017, 2018 and 2019 (the "**Consolidated Financial Statements**"). The Consolidated Financial Statements have been prepared in accordance with IFRS as adopted by the EU (the "**IFRS**"), have been audited by EY S.p.A. and contain the English translation of the auditors' reports therein; and

(iii) the audited financial statements of the Issuer as at September 30, 2020 and for the period from September 16, 2020 (date of incorporation) to September 30, 2020 (the "**Issuer Financial Statements**"). The Issuer Financial Statements have been prepared in accordance with IFRS, have been audited by EY S.p.A. and contain the English translation of the auditors' report therein.

In the consolidated financial statements for the year ended December 31, 2018, the comparative income statement information for the year ended December 31, 2017 was restated to reflect the disposal of 60.0% of the investment in IMA Dairy & Food Holding GmbH, occurred in 2018. The income statement information for the year ended December 31, 2017 presented herein is the restated financial information derived from the consolidated financial statements as of and for the year ended December 31, 2018.

In the consolidated financial statements for the year ended December 31, 2019, the comparative income statement information for the year ended December 31, 2018 was restated, for comparative purpose, to reflect the recognition of capitalized costs as a deduction from operating costs instead of being classified in Other revenue. The income statement information for the year ended December 31, 2018 presented herein is the restated financial information derived from the consolidated financial statements as of and for the year ended December 31, 2019.

Last Twelve Months (LTM)

The unaudited consolidated statement of comprehensive income information and the other financial information presented for the twelve months ended September 30, 2020 have been derived by subtracting from the financial information of the audited consolidated financial statements as of December 31, 2019 the comparative financial information of the unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2019, and adding the financial information of the unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2020. The unaudited consolidated statement of comprehensive income information and the other financial information presented for the twelve months ended September 30, 2020 have been prepared for illustrative purposes only and are not necessarily representative of our results of operations for any future period or our financial condition at any future date. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of our financial reporting and has not been audited or reviewed.

Adjustments and Pro Forma Information

The Consolidated Financial Statements and the Unaudited Condensed Consolidated Interim Financial Statements included in this Offering Memorandum have not been adjusted to reflect the impact of any changes to the consolidated income statement, the consolidated statement of financial position or the consolidated cash flow statement that may occur as a result of the Transactions in order to present figures as reported to the market other than as indicated below. Our consolidated financial statements could be materially different from the Consolidated Financial Statements and the Unaudited Condensed Consolidated Interim Financial Statements included in this Offering Memorandum once any such adjustments have been made.

We present in this Offering Memorandum certain unaudited as adjusted financial information for the Issuer, which is based on our consolidated financial information, on an as adjusted basis to reflect certain effects of the Transactions on the indebtedness, cash position and interest expense of the Group as at and for the twelve months ended September 30, 2020. See "*Summary—Summary Consolidated Financial Information*", "*Capitalization*", "*Selected Consolidated Financial Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*." This as adjusted financial information has been prepared for illustrative purposes only and does not represent what our actual interest expense would have been had the Transactions occurred on October 1, 2019 or what our actual cash position or indebtedness would have been had the Transactions occurred on September 30, 2020, nor does it purport to project our indebtedness, cash position or interest expense at any future date. The as adjusted financial information has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Securities Act, the Prospectus Regulation or any generally accepted accounting standards. Neither the assumptions underlying the adjustments nor the resulting adjusted financial information have been audited or reviewed in accordance with any generally accepted auditing standards.

Use of Non-IFRS measures

In this Offering Memorandum, we present certain financial measures and ratios that are not recognized by IFRS or any other generally accepted accounting principles. We refer to these measures as "non-IFRS measures" as they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS. Our primary non-IFRS measures are defined as follows:

Industrial gross profit is defined as the difference between Revenue from contracts with customers and Cost of sales.

Industrial gross profit Margin is defined as the ratio between Industrial gross profit and Revenue from contracts with customers.

EBITA is defined as operating profit before writedowns / impairment / non-recurring items.

EBITA Margin is defined as the ratio between EBITA and Revenue from contracts with customers.

EBITDA is defined as net profit plus taxes, profit and loss from equity investments, net financial income and expense and depreciation and amortization.

EBITDA Margin is calculated as the ratio between EBITDA and Revenue from contracts with customers.

Adjusted EBITDA represents EBITDA plus non-recurring items.

Adjusted EBITDA Margin is calculated as the ratio between Adjusted EBITDA and Revenue from contracts with customers.

Pro Forma Adjusted EBITDA represents Adjusted EBITDA plus *pro forma* cost saving adjustments, *pro forma* acquisition adjustments and *pro forma* minority adjustments. Pro Forma Adjusted EBITDA represents a measure used by our management to monitor and evaluate our operating performance.

Cash flow generation is calculated as Adjusted EBITDA net of capital expenditures.

Cash conversion rate is calculated as the ratio of Cash flow generation and Adjusted EBITDA.

Order Intake represents the value of orders that are added to our Backlog during a given period and also includes cancellations of work or changes to existing contracts already in our Backlog.

Net financial debt is defined in accordance with ESMA Recommendation No. 319 of March 20, 2013, except for financial receivables that are classified as non-current financial assets.

Net working capital is defined as the sum of the trade receivables, inventories, trade payables and other net.

These non-IFRS measures presented in this Offering Memorandum may be used by different companies for different purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing such measures to similar measures used by other companies. The information presented by each non-IFRS measure is unaudited and has not been prepared in accordance with IFRS or any other accounting standards. In addition, the presentation of these measures is not intended to and does not comply with the reporting requirements of the U.S. Securities and Exchange Commission (the "**SEC**") and will not be subject to review by the SEC; compliance with its requirements would require us to make changes to the presentation of this information.

These measures are not measurements of performance under IFRS and you should not consider them an alternative to pretax income or operating income determined in accordance with IFRS, or, as the case may be, to cash flows from/(used in) operating activities, cash requirements used in investing activities or cash flow from/(used in) financing activities. In particular, you should not consider EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA as alternatives to (a) operating income or income for the period (as determined in accordance with IFRS) as a measure of our operating performance, (b) cash flows provided by operating, investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under generally accepted accounting principles. EBITDA and other non-IFRS measures have limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for an analysis of our results as reported under IFRS.

We use non-IFRS measures to assess the financial performance and liquidity of our business. We believe that these and similar measures are used widely by the investment community, securities analysts and other interested parties, as supplemental measures of performance and liquidity and are intended to assist in the analysis of our results of operations, profitability and ability to service debt. We believe such measures are a useful metric of our performance, however non-IFRS measures should not be considered as an alternative to operating income or operating margin as a measure of operating performance. These non-IFRS measures should not be considered in isolation or construed as a substitute for measures in accordance with IFRS.

Industrial gross profit, Industrial gross profit Margin, EBITA, EBITA Margin, EBITDA, EBITDA Margin, Adjusted EBITDA, Adjusted EBITDA Margin, Pro Forma Adjusted EBITDA, Cash flow generation, Cash conversion rate, Order Intake, Net financial debt and Net working capital as used in this Offering Memorandum are not calculated in the same manner as similar measures are calculated pursuant to the Indenture governing the Notes as described under "*Description of the Notes*" or for purposes of any of the Issuer's or the Company's (or any of their subsidiaries') other indebtedness.

Certain key performance indicators and other non-financial operating data included in this Offering Memorandum are derived from management estimates, are not part of our Financial Statements or our accounting records and have not been audited or otherwise reviewed by outside auditors, consultants or experts. Our use or computation of these measures may not be comparable to the use or computation of similarly titled measures reported by other companies. Any or all of these measures should not be considered in isolation or as an alternative measure of performance under IFRS.

Backlog

We have also included in this Offering Memorandum Backlog and new orders figures. We consider Backlog a relevant indicator of our future revenue streams from, and growth of, our business. We closely monitor Backlog measures to plan for our current needs and to adjust our expectations, financial budgets and forecasts. See "*Business—Backlog and New Orders Intake*" for a description of our method of calculation for Backlog.

For further information, see "*Risk Factors—Our backlog is subject to unexpected adjustments and project cancellations and is, therefore, not necessarily indicative of our future revenue or results of operations.*"

Rounding

Certain numerical figures set out in this Offering Memorandum, including financial data presented in millions or in thousands, have been subject to rounding adjustments and, as a result, the totals of the data in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information. In addition, as a result of such rounding, the totals of certain financial information presented in tabular form may differ from the information that would have appeared in such totals using the unrounded financial information.

MARKET AND INDUSTRY DATA

In this Offering Memorandum, we rely on and refer to information regarding our business and the markets in which we operate and compete. Such market and industry data and certain industry forward-looking statements are derived from various industry and other independent sources, where available. In particular, certain information has been derived from certain aggregated market information available to the Issuer.

The information in this Offering Memorandum that has been sourced from third parties has been accurately reproduced and, as far as we are aware and able to ascertain from the information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Notwithstanding the foregoing, such third-party information has not been independently verified, and neither we nor the Initial Purchasers make any representation or warranty as to the accuracy or completeness of such information set forth in this Offering Memorandum.

In addition, certain information in this Offering Memorandum for which no source is given, regarding our market position relative to our competitors is not based on published statistical data or information obtained from independent third parties. Additionally, many of our competitors do not publicly disclose their financial information. Statements in this Offering Memorandum regarding our market share reflect our estimates based upon information obtained from trade and business organizations and associations and other contacts within the industries in which we compete, as well as information published by some of our competitors from time to time. Because some of the foregoing information was compiled or provided by our management or advisers and is not publicly available, such information may not be considered to be as independent or reliable as that provided by other third-party sources. Because these estimates are based on limited available information, neither we nor the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this information.

We believe that our estimates of market data and the information we have derived from such data helps investors to better understand the industry in which we operate and our position within it. Our own estimates have not been checked or verified externally. While we assume that our own market observations are reliable, we give no warranty for the accuracy of our own estimates and the information derived from them. They may differ from estimates made by our competitors or from other independent sources. While we are not aware of any misstatements regarding the industry or similar data presented herein, such data involves risks and uncertainties and are subject to change based on various factors, including those discussed under "*Risk Factors*" in this Offering Memorandum.

TRADEMARKS AND TRADE NAMES

We own or have rights to certain trademarks, trade names or service marks that we use in conjunction with the operation of our businesses. Each trademark, trade name or service mark of any other company appearing in this Offering Memorandum belongs to its holder.

Solely for convenience, the trademarks, trade names and copyrights referred to in this Offering Memorandum are listed without the TM, ® and © symbols.

TAX CONSIDERATIONS

Prospective purchasers of the Notes are advised to consult their own tax advisers as to the consequences of purchasing, holding and disposing of the Notes, including, without limitation, the application of Italian tax laws to their particular situations, as well as any consequences to them under the laws of any other taxing jurisdiction, and the consequences of purchasing the Notes at a price other than the initial issue price in the Offering. See "*Certain Tax Considerations*".

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

The following table sets forth, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate information about the exchange rate U.S. dollars to euros. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid exchange rate is equal to the highest bid exchange rate of all contributing bank indications and the ask exchange rate is set to the lowest ask exchange rate offered by these banks. The Bloomberg Composite Rate is a mid-value exchange rate between the applied highest bid exchange rate and the lowest ask exchange rate. The exchange rates may differ from the actual exchange rates used in the preparation of the consolidated financial statements and other financial information appearing in this Offering Memorandum. None of us, the Guarantors or the Initial Purchasers represent that the euro amounts referred to below could be or could have been converted into U.S. dollars at any particular exchange rate indicated or any other exchange rate.

The average exchange rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year. The average exchange rate for a month or for any shorter period, means the average of the daily Bloomberg Composite Rate during that month, or shorter period, as the case may be.

The Bloomberg Composite Rate of U.S. dollars to euros on December 3, 2020 was $1.2143 per €1.00.

Annual Data (Year ended December 31,)	Period end(3)	Average(1)	High	Low
		U.S. dollar per Euro		
2015	1.0856	1.1031	1.2103	1.0497
2016	1.0541	1.1069	1.1569	1.0364
2017	1.1993	1.1300	1.2060	1.0385
2018	1.1450	1.1810	1.2493	1.1261
2019	1.1234	1.1195	1.1535	1.0889

Recent Monthly Data	Period end(3)	Average(2)	High	Low
		U.S. dollar per Euro		
January 2020	1.1092	1.1104	1.1212	1.1010
February 2020	1.1026	1.1148	1.1456	1.0785
March 2020	1.1024	1.1061	1.1450	1.0688
April 2020	1.0955	1.0872	1.0980	1.0777
May 2020	1.1102	1.0906	1.1102	1.0795
June 2020	1.1234	1.1258	1.1374	1.1136
July 2020	1.1847	1.1473	1.1847	1.1239
August 2020	1.1936	1.1830	1.1936	1.1738
September 2020	1.1721	1.1787	1.1912	1.1631
October 2020	1.1647	1.1766	1.1861	1.1647
November 2020	1.1927	1.1837	1.1963	1.1641
December 2020 (through December 3, 2020)	1.2143	1.2110	1.2143	1.2071

(1) The average rate for a year means the average of the Bloomberg Composite Rates for each Business Day of such year.
(2) The average rate for each month presented is based on the average Bloomberg Composite Rate for each Business Day of such month.
(3) Represents the exchange rate on the last Business Day of the applicable period.

The above rates differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this Offering Memorandum. Our inclusion of the exchange rates is not meant to suggest that the euro amounts actually represent U.S. dollar amounts or that these amounts could have been converted into U.S. dollars at any particular rate, if at all.

SUMMARY

This summary highlights certain information about us and the Offering. This summary should be read as an introduction to this Offering Memorandum. It does not contain all of the information that may be important to you or that you should consider before investing in the Notes, and it is qualified in its entirety by the remainder of this Offering Memorandum. You should read this entire Offering Memorandum, including the financial statements and related notes, before making an investment decision. You should also carefully consider the information set out in this Offering Memorandum under the heading "Risk Factors" for factors that you should consider before investing in the Notes and "Information Regarding Forward-Looking Statements" for information relating to the statements contained in this Offering Memorandum that are not historical facts before making any decision as to whether to invest in the Notes.

The Issuer is a holding company formed for the purpose of facilitating the Transactions and is not expected to engage in any activities other than those related to its formation and the Transactions. The Issuer's only material assets and liabilities are currently, and are expected in the future to be, its interest in the issued and outstanding shares of its subsidiaries and its outstanding indebtedness and inter-company balances incurred in connection with the Transactions (including approximately 66.82% ownership of Outstanding Company Shares) and the other transactions described in this Offering Memorandum. Accordingly, the description of business operations below relates to the Group.

Unless indicated otherwise, when we refer to "we", "us", "our" or the "Group" for the purposes of this section, we are referring to the business of the Company and its subsidiaries and not the Issuer.

Overview

We are a global leader in the design and assembly of complex automated machinery for the product filling and primary packaging of pharmaceuticals, cosmetics, tea, coffee, certain other food products and tobacco. In addition to the design and assembly of machinery, we also provide After-Sales products and services throughout the lifecycle of the machinery that we sell. We attribute our success, in part, to our unique asset-light business model, which relies on our strong core labor-intensive capabilities in research, design, development, engineering and testing, while outsourcing lower value-added aspects of the assembly process to a group of select local suppliers. We have made significant investments in research and development to enable us to remain at the forefront of machine customization and product innovation. At the same time, we have fostered a diverse network of local suppliers, many of whom we own minority stakes in, and have tightly integrated these suppliers with our operations, thereby enabling us to maintain low capital expenditure levels and a highly variable cost base.

Founded in 1961 and headquartered in Bologna, Italy, an area known for the presence of well-established manufacturing companies and a talented engineering labor force, we have 45 manufacturing facilities and approximately 6,000 employees, out of whom approximately 70.0% are engineers and highly specialized technicians, in nine countries, including Italy, the United States, China, Argentina, Germany and Switzerland. We sell our products worldwide to a loyal blue-chip customer base, both directly through our on-the-ground salesforce and, in selected markets, third party agents. We have historically been able to build long-lasting customer relationships by creating highly customized and specialized products with shorter lead times due to our flexible supply chain. Our loyal blue-chip customer base allows us to achieve stable and highly visible revenue, and we generated the majority of our revenue in the last five fiscal years from our existing customers, mainly through new machine orders and After-Sales products and services.

For the twelve months ended September 30, 2020, we generated revenue from contracts with customers of €1.6 billion, EBITDA of €291.8 million (representing an EBITDA Margin of 18.2%) and net profit of €119.3 million, and in 2019, we generated revenue from contracts with customers of €1.6 billion, EBITDA of €273.4 million (representing an EBITDA Margin of 17.1%) and net profit of €169.6 million. We also have a strong pipeline of ongoing projects, with a Backlog as of September 30, 2020 of €919.4 million.

Within the global packaging machinery industry, we primarily serve the consumer (including food and beverage), pharmaceutical and tobacco packaging machinery reference markets. We generally operate in niches within these reference markets that we believe are highly resilient and fast growing, and we maintain a leadership position in many of them. Our three business segments (i) Tea, Food, & Other, (ii) Pharmaceutical, and (iii) Tobacco, are geared towards competing in these niches.

Tea, Food, & Other. We design, develop, assemble, and install machinery for the packaging and/or assembling of tea bags, coffee capsules, dairy and other food and beverage products, tissues, cosmetics and other personal care products and design and produce fully automated production lines for medical devices among other end markets. Our Tea, Food, & Other segment generated €782.3 million, or 48.8%, of our total revenue for the twelve months ended September 30, 2020.

Pharmaceutical. We design, develop, assemble, and install machinery for the packaging of pharmaceutical capsules and tablets in blisters and bottles, filling bottles and vials with liquid and powdered products in sterile and non-sterile environments, freeze-drying, tube-filling and cartoning systems for the production of tablets and capsules, and for coating and granulation of pharmaceuticals. Our Pharmaceutical segment generated €722.5 million, or 45.1%, of our total revenue for the twelve months ended September 30, 2020.

Tobacco. We design, develop, assemble, and install machinery for packaging, filling and capping tobacco-related products, with a specific focus on “Heat not Burn” tobacco products, electronic cigarettes and other related products. Our Tobacco segment generated €98.2 million, or 6.1%, of our total revenue for the twelve months ended September 30, 2020.

We offer both Original Equipment and After-Sales products and services within each of our three segments.

The table below sets forth breakdowns of our total revenue from contracts with customers by segment and geographical area for the twelve months ended September 30, 2020 and our Backlog as of September 30, 2020. Our Backlog consists of the contracted future revenue relating to all signed orders. Our customers pay up to 30.0% of the total invoice in the early stages of the relationship by paying the first tranche of the agreed price.

Revenue by geographical area	**For the twelve months ended September 30, 2020** *(€ millions)*
European Union (excluding Italy)	465.3
Other European countries	137.7
North America	290.7
Asia & Middle East	324.0
Other countries	156.3
Total Exports	**1,374.0**
Italy	229.0
Total	**1,603.0**

Revenue by segment	**For the twelve months ended September 30, 2020** *(€ millions)*
Tea, Food, & Other	782.3
Pharmaceutical	722.5
Tobacco Packaging	98.2
Total	**1,603.0**

Backlog by segment	**As of September 30, 2020** *(€ millions)*
Tea, Food, & Other	318.2
Pharmaceutical;	562.2
Tobacco Packaging	39.0
Total	**919.4**

Our Strengths

We believe there are a number of key factors that drive our success, including (i) our presence in attractive non-cyclical end markets supported by long-term secular growth trends; (ii) our global market leadership across attractive niches within those end markets with high barriers to entry; (iii) the high visibility and resilience of our revenue based on After-Sales products and services as well as recurring customer base and growing Backlog; (iv) our highly attractive financial profile with best-in class margin profile and asset-light business model; and (v) our experienced management team with extensive industry experience and strong shareholder support.

Attractive non-cyclical end markets supported by long-term secular growth trends

The reference markets that we primarily serve have long-term secular macro trends supporting future growth, which include: (i) changing demographics and an aging society; (ii) increasing medical spending and attention to healthcare and well-being; (iii) moving towards sustainable and ethical consumption practices; (iv) increasing emphasis on convenience and on-the-go lifestyles; (v) fast changing consumer goods trends which necessitate changes in equipment; (vi) increasing product safety concerns; (vii) growing demand for factory automation and digitally-enabled Industry 4.0; (viii) increasing packaging complexity and demand for innovative packaging; (ix) increasing focus on sustainable and environmentally friendly packaging solutions; (x) increasing regulatory requirements; and (xi) increasing focus on labor costs and declining in-house engineering capabilities at manufacturers.

These trends have led to the niches in which we operate in our two largest reference markets, the consumer (including food and beverage) and pharmaceuticals packaging machinery markets, to grow, in terms of revenue, at a compound annual growth rate of 4.0% and 5.4% respectively, from 2014 to 2019. During the same period, our revenue from our corresponding Tea, Coffee, & Other and Pharmaceutical business segments has grown at a compound annual growth rate of 8.0% and 7.7%, respectively. The niches in which we operate within the consumer and pharmaceuticals packaging machinery markets are projected to continue to grow, in terms of revenue, at a compound annual growth rate of 3.9% and 5.7%, respectively, between 2020 and 2024, in line with recent trends. In addition, revenue from the next-generation products niche in the tobacco packaging machinery market is forecasted to grow at a compound annual growth rate of 15.3% from 2019 to 2024.

The resiliency of our reference markets has been demonstrated by the historical evolution of capital expenditures in the respective end markets despite past economic downturns. Capital expenditures in the pharmaceutical end market have steadily increased since 2001, rising from less than €100.0 billion globally in 2001 to over €200.0 billion in 2019. During the financial crisis of 2008, capital expenditures in the pharmaceutical end market declined by approximately 7.0%, and then, in 2009, quickly bounced back with growth of 17.0% globally. Capital expenditures in the consumer end market have been even more resilient, steadily increasing since 2001 from about €150.0 billion globally in 2001 to more than €500.0 billion in 2019. During the aforementioned financial crisis, capital expenditures in the consumer end market declined by only approximately 1.0% before returning to 4.0% growth in 2009.

This resilient growth is driven, in part, by the fact that packaging machinery plays a key role in both driving customers' revenue growth and keeping their costs down. This is illustrated by a recent survey indicating that customers are usually driven by one or more of a limited number of considerations: 48.0% of customers seek to replace equipment and increase productivity, 43.0% seek to increase capacity, 34.0% seek to use the machinery for new product introductions and 28.0% seek to introduce new package formats. In addition, since most customers operate their machinery around the clock, minimizing downtimes is critical to their business as evidenced by a recent market survey, according to which, quality and reliability are the most important purchasing criteria for customers of packaging machinery. The ability to drive revenue growth, keep costs down and the overriding need for quality and reliability, support the view that packaging machinery and the related After-Sales products and services are non-discretionary expenditures for customers and lead to demand resiliency for such products and services in any market cycle.

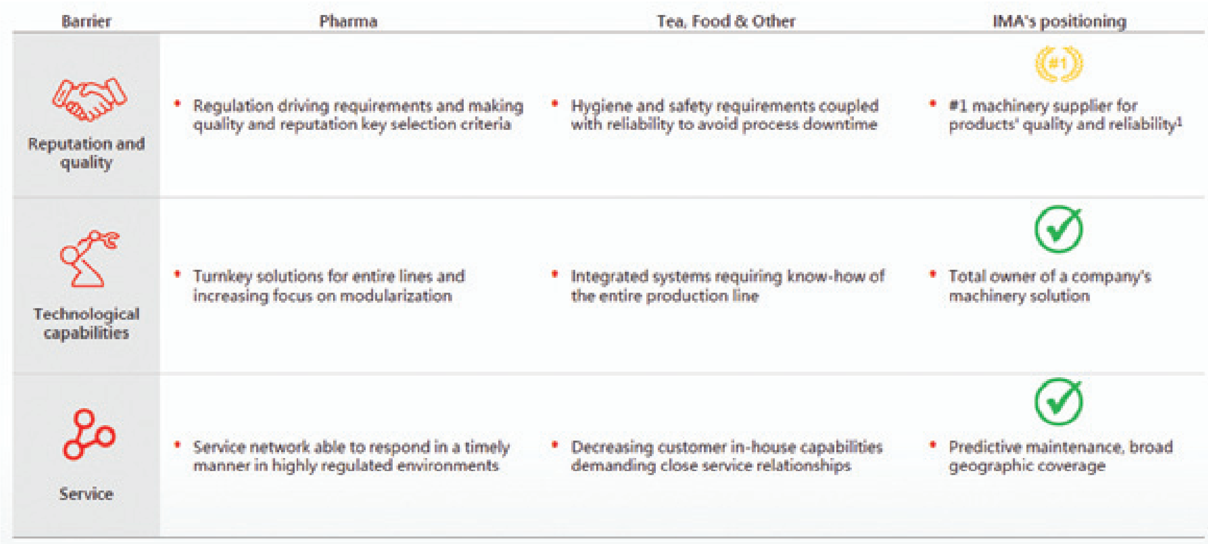
While it is difficult to predict the consequences of the ongoing Covid-19 pandemic, we believe that it may accelerate many of the trends that have historically benefitted our business segments and driven sales of our products and services. In particular, we expect to benefit from (i) a higher focus on health care and well-being due to increased consumption of pharmaceuticals, which in turn increases demand for products, (ii) the acceleration of the trend related to product safety concerns due to further increases in private and governmental interest in labelling and traceability of products and (iii) the acceleration of the trend related to factory automation in order to reduce personnel costs and human interaction which can contribute to the spread of disease, including Covid-19.

We believe that our presence in non-cyclical end markets with long-term secular growth trends can help us enjoy continued consistent growth in revenue and profits.

Global market leadership across attractive niche markets with high barriers to entry

We are an established market leader across many niches that are highly resilient. Although the overall global packaging machinery industry is highly fragmented, with over 1,000 participants, we claim market leadership in multiple niches in each of our reference markets. Within the pharmaceuticals packaging machinery market, we are a leader in seven niches (blister, capsule filling, tableting, coating, filling, counters and freeze dryers), while our closest competitor is a leader in only three niches. Similarly, in the consumer packaging machinery market, we are the market leader and we estimate our market share to be approximately 76.0%, 40.0% and 15.0% by revenue for the year ended December 31, 2019, in the tea, dairy and coffee capsule niches, respectively. In the tobacco packaging machinery market, we are the leader in the "heat not burn" niche, which relates to electronic devices that contain tobacco leaves rather than liquids. Furthermore, we have a strong market leadership and know-how in designing, assembling and testing highly automated machines across all niches we address (*i.e.* medical devices, vision care, caps & closures, e-motors, e-cigarette, watch making, electro-mechanic, printing and industrial).

Our key reference markets, tea, food and other and pharmaceutical packaging machinery markets, are characterized by three main barriers to entry—reputation and quality, technological capabilities and service as illustrated in the chart below.



Barrier	Pharma	Tea, Food & Other	IMA's positioning
Reputation and quality	• Regulation driving requirements and making quality and reputation key selection criteria	• Hygiene and safety requirements coupled with reliability to avoid process downtime	#1 • #1 machinery supplier for products' quality and reliability[1]
Technological capabilities	• Turnkey solutions for entire lines and increasing focus on modularization	• Integrated systems requiring know-how of the entire production line	• Total owner of a company's machinery solution
Service	• Service network able to respond in a timely manner in highly regulated environments	• Decreasing customer in-house capabilities demanding close service relationships	• Predictive maintenance, broad geographic coverage

Within these reference markets and the niches in which we compete, we differentiate ourselves from our competitors primarily through (i) the scale and breadth of our product and service offerings, (ii) our large, high-quality, and loyal existing customer base, which includes leading pharmaceutical and consumer products companies, (iii) our wide geographic coverage, (iv) our long history and experience in the business, (v) our best-in-class technology, and (vi) our unique, flexible supply chain that drives superior delivery times. We maintain our technological excellence by investing in research and development. We've invested over €80.0 million per year on research and development from 2017 to 2019. Our R&D team has a long track record for innovation and has developed over 1,700 patents. This engineering excellence also enables us to deliver highly-customized products which can command higher profit margins. We have also fostered a diverse and collaborative network of suppliers, many of whom we own minority stakes in. The tight integration of these suppliers with our operations has enabled us to centralize procurement and enterprise resource planning systems, and provides us with higher operational flexibility, lower delivery time, and a more variable cost base, each of which is a significant competitive advantage.

High visibility and resilience of our revenue based on After-Sales products and services as well as recurring customer base and growing Backlog

We enjoy high visibility and resiliency of our revenue from both our After-Sales products and service offerings as well as from Original Equipment sales.

Our After-Sales business is characterized by recurring and stable revenue, and higher margins. It has historically grown in line with our installed base of original equipment, which presents us with regular opportunities to supply our customers with replacement parts and services. From 2016 to 2019, our

After-Sales business has consistently represented between 29.0% and 31.0% of our revenue, growing in line with our expanding installed base of machinery. Furthermore, thanks to its higher profitability, compared to our Original Equipment business, the After-Sales business has represented, on average, 43.0% of the total gross profit over the same period. The resilience in the After-Sales business is due to the overriding need of customers to avoid downtime, leading to predictable expenditure on spare parts and maintenance (including predictive maintenance) and our ability to deliver After-Sales services remotely. We believe this was evident in the quarter ended March 31, 2020, where revenue from the After-Sales business were seemingly unaffected by the Covid-19 pandemic, and represented 34.0% of our revenue.

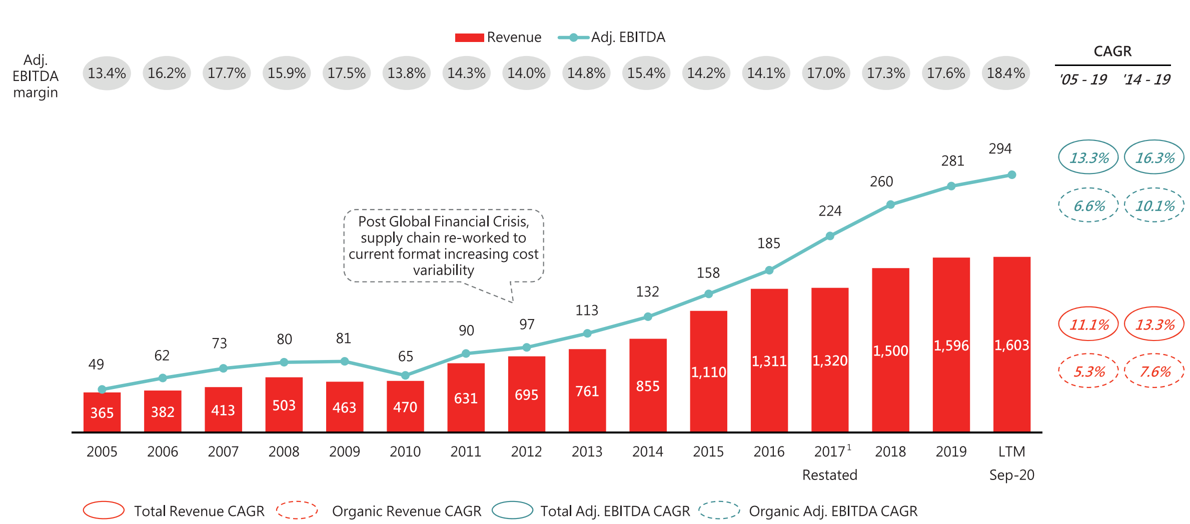
We also have high visibility of revenue from our Original Equipment business due to our fast-growing Backlog and repeat business from our loyal, diverse and highly-recurring blue-chip customers.

Our Backlog has grown from December 31, 2015 to September 30, 2020 at a compound annual growth rate of 7.6%, with our Backlog as of December 31, 2015, 2016, 2017, 2018, and 2019 equaling €649.9 million, €766.2 million, €806.8 million, €941.5 million, and €909.0 million, respectively. As of September 30, 2020 our Backlog was €919.4 million. This substantial and increasing Backlog provides several key benefits, including: (i) future visibility of revenue (*e.g.*, we estimate that our backlog as of September 30, 2020 provided approximately nine months of visibility of revenue); (ii) increasing revenue coverage for the years ended December 31, 2015, 2016, 2017, and 2018, our Backlog as of the end of the year represented between 70.0% and 84.0% of the next year's revenue (i.e., from 2016 to 2019) from contracts with customers; (iii) upfront non-refundable cash payments (up to 30.0% of our order value is paid upfront by customers, thus locking in future revenue and strongly disincentivizing customers from cancelling their orders); and (iv) an optimally budgeted cost base, tailored in advance on expected future production, thus allowing flexibility in economic or business downturns.

Our customer base is highly diversified and includes several blue-chip customers, including AstraZeneca plc, Novartis International AG, Pfizer Inc., Nestlé S.A., Unilever, Alcon, ThermoFischer, GSK, Porsche, Novo Nordisk, Johnson & Johnson, Sanofi, Rolex, Tetra Pak and Merck, many of whom have been our customers for more than 20 years. Our customers are also spread out geographically, with Italy, the Rest of Europe, Asia & Middle East, North America and the Rest of the World accounting for 12.1%, 35.1%, 22.2%, 19.7% and 10.9% respectively, of the revenue in 2019. These repeat customers provide us with highly recurring revenue from both After-Sales and the Original Equipment sales. For example, within our pharmaceutical segment, while new customers are acquired each year, a large and increasing volume of our sales are derived from existing customers.

As a result, our financial results demonstrate solid resiliency to economic cycles on the back of strong repeating business. The chart below shows the evolution of our revenue, EBITDA and EBITDA margin for the periods described therein.

Historical revenue and Adj. EBITDA evolution (€mm)



Note: CAGR '05-19 organic revenue and Adj. EBITDA figures computed based on the Company's perimeter as of 2005. CAGR '14-19 organic revenue and Adj. EBITDA figures computed based on the Company's perimeter as of 2014.

Highly attractive financial profile with best-in class margin profile and asset-light business model

Our financial track record is indicative of an attractive underlying business model that has delivered consistent revenue, revenue growth, EBITDA, EBITDA Margin, and cash flow generation (*i.e.*, EBITDA less capital expenditures). As a result of these developments, our revenue grew from €1.3 billion in 2017 to €1.6 billion in the twelve months ended September 30, 2020, representing a compound annual growth rate of 7.3%. Adjusted EBITDA has grown from €224.1 million in 2017 to €294.4 million in the twelve months ended September 30, 2020, representing a compound annual growth rate of 10.4%. In 2017, 2018, and 2019 and for the twelve months ended September 30, 2020 and Adjusted EBITDA Margin was 17.0%, 17.3%, 17.6%, and 18.4% respectively. Cash flow generation has grown from €187.4 million in 2017 to €245.1 million in the twelve months ended September 30, 2020. Our asset-light business model, which entails the outsourcing of low value manufacturing activities, along with our limited capital expenditure requirements and highly variable cost base (with 80.0% of variable costs in cost of goods sold), drives our high cash flow generation, with approximately 80.0% average cash flow conversion from 2014 to the twelve months ended September 30, 2020.

Our resiliency was demonstrated through the unprecedented Covid-19 pandemic that disrupted businesses globally in the first half of 2020. For the twelve months ended September 30, 2020, we achieved a resilient and industry-leading Adjusted EBITDA margin of 18.4%, better than our Adjusted EBITDA margin in any of the prior five calendar years.

Experienced management team with extensive industry experience and strong shareholder support

Our business is supported by our highly experienced management team, which has led the strategic expansion of both our product and services offerings and our geographical reach. Our experienced senior management team, consisting of our CEO, Alberto Vacchi; CFO, Sergio Marzo; COO, Giovanni Pecchioli; Tea & Herbs, Coffee and Flex Pack Director, Klaus Peters; Production Systems and Purchasing Director, Massimo Marchesini; and, Organization Director, Massimo Ferioli, have each has been with us for at least 18 years. Our senior management is supported by a functional management team whose members have been us for more than 15 years on an average. The management team has achieved solid financial results by delivering strong growth both organically and through acquisitions. The team has an in depth understanding of the packaging machinery industry, an extensive network of industry relationships that span across the globe, and the ability to deliver high-quality and innovative products and services. Our management team has vast experience in successfully integrating multiple acquisitions, such as the bolt-on acquisitions of GIMA S.p.A. in 2010, Sympak Corazza Group in 2011, Tissue Machinery Company in 2018 and ATOP in 2019. We also intend to draw from the market expertise, business relationships, knowledge and experience of our historical shareholder, the Vacchi family, which will continue to be represented on the management team and remain invested, together with our new shareholder, BC Partners.

Our Strategies

We intend to implement the following strategies in order to successfully continue growing the business and delivering value for our shareholders:

Continue to build customer loyalty and become a total owner of a company's machinery solution

In recent years, the in-house engineering capabilities of our customers generally declined, giving us the opportunity to become the main provider of their machinery solutions. We are well positioned to offer such a solution thanks to our scale and breadth of offerings supported by a unique supply chain ecosystem and route density for sales and After-Sales products and services. Collaborating with our integrated supplier network gives us higher operational flexibility, lower delivery time, and a more variable cost base, as well as centralized scale procurement, and share enterprise resource planning systems. Once our highly customized machinery is installed, our longstanding customer base depends on the quality, scale, and breadth of our After-Sales business to maintain and upgrade the machinery. By offering quality solutions at every step, we intend to further solidify customer loyalty and our position as an essential partner to our customers.

Continue to focus on two core offerings and maintain our leadership in our attractive niche markets

Our core offerings are product filling/production machinery and primary packaging machinery. We intend to further strengthen these offerings by selling to markets that display multiple attractive competitive dynamics.

Our product filling/production machinery are used by companies in the pharmaceutical (across solid forms / pills, and liquid forms /injectables, etc.), tobacco (*e.g.*, e-cigarette parts), and automation/ e-motor production industries. To those companies, we address key purchaser criteria by offering a large number of possible processes and niche machines, customization, an attractive cost per unit, and reliability. This market is attractive to us because it offers high margins, values innovation, has very loyal customers, features many niches and has a highly fragmented competitive landscape.

Our primary packaging machinery are used by companies in the pharmaceutical, consumer goods (*e.g.*, coffee capsules, tea bags, vacuum sealed bags, flex wrapping for food, etc.), and tobacco (*e.g.*, traditional and e-cigarettes) end markets. To those companies, we address key purchaser criteria by offering reliability (particularly in sterile pharmaceutical lines); flexibility for changes to shapes, sizes, and quick changeovers; customization; production speed; and working with limited production space. This market is attractive to us because it (i) offers high margins, (ii) has limited competition, (iii) has repeat customers, (iv) is at the heart of packaging operations, and (v) has relatively complex machinery.

We intend to maintain our focus on our two core offerings and leadership in niche markets that we believe will lead to continued high margins and increased revenue.

Continue to pursue selective bolt-on acquisitions aligning with our strategic objectives

We intend to pursue selective bolt-on acquisition opportunities that align with our overall strategic objectives in order to reinforce our global market leadership position and penetrate fast-growing niches. We have successfully completed several strategic acquisitions since 2003. These acquisitions were made at attractive multiples that fueled historical growth, on top of strong organic growth. The acquisitions helped us acquire expertise that would be more difficult or require a longer time to develop in-house and allowed us to diversify our product portfolio, offer more integrated solutions, and expand geographically. We intend to maintain our efforts on acquisitions that directly or indirectly expand our presence and sales. By increasing our presence, we would be able to further serve our long-standing customers in those regions. We will also seek acquisition opportunities that add new technologies, generate cost synergies and unlock meaningful cross-selling potential.

Focus R&D investments on automation and materials handling

R&D and innovation are at the core of our value proposition to customers. We intend to focus on maintaining our leading position at the forefront of technological advancement in our market. To do so, we plan to continue investing in our R&D activity and maintain around 5.0% of our revenue investment in R&D each year. We believe these investments will pay off as we can exploit market demand that is less price-sensitive, but rather is focused on improvements in technology and time-to-market.

We will continue focusing a substantial part of our R&D resources on automation, which we believe will be driven by both changing working habits and new working regimes following the Covid-19 pandemic, which include, but are not limited to, increased remote working. Automation and digitalization are driving machine complexity across all end markets, through increased inclusion of sensors and software as a means to increase machine productivity. In addition, health and safety measures on production lines have led to changes in machinery requirements as businesses adapt to new workspace regulations. We believe our leading position in producing fully automated production lines across a range of end markets, our reputation for quality and innovation, as well as our longstanding relationships with blue-chip customers, positions us to take advantage of these developments.

We also intend to dedicate R&D resources to the fast-growing materials handling niche market. Materials handling is the short-distance movement of items within a facility. It is driven largely by e-commerce, which, in many cases, requires fast and efficient movement of items from inventory to distribution vehicles. We believe that dedicating R&D resources to this niche market can provide substantial returns as the need for such machinery continues to grow, especially during and following the Covid-19 pandemic.

We will also continue dedicating R&D resources to meet the growing demand for sustainable products stemming from changes in consumer preferences and government regulation. Sustainable products generally feature new packaging materials and formats (*e.g.*, bottle caps that remain attached to bottles, or thinner plastics that require more intricate machinery). Customers typically need new machinery to use these sustainable materials or produce the products. We believe the trend towards sustainable products will continue and we intend to position ourselves to take advantage of this trend by investing in the relevant R&D resources.

We also intend to invest internally by employing more engineers and highly specialized technicians and increasing our innovation efforts, for example generating new ideas about packaging that we can propose to customers and enhancing the performance of our machines to make them more competitive on the market.

Maintain strong focus on free cash flow generation

We continue to improve the free cash flow generation of our business, which due to its low capital intensive nature, has allowed us to achieve an average cash conversion rate of approximately 81.0% between 2015 and the twelve months ended September 30, 2020 and can ultimately support our deleveraging efforts in the future. As part of this strategy, our management intends to continue its focus on profitability, disciplined working capital management, and targeted capital spending. Consistent with our historical performance, we intend to maintain a disciplined approach to growth by exploiting the favorable trends in our industry and adopting a selective acquisition strategy. We also plan to continue strengthening and expanding our efficient distribution platform, geographical reach and scale to extract further synergies, improve operating leverage, and maintain an attractive profitability and cash flow profile.

Our History

We were founded in Bologna, Italy in 1961 and the Vacchi family acquired 52.0% of our stock in 1963. From 1963, we steadily expanded our product and service offerings through a combination of in-house development and acquisitions. In 1967, we began the production of automatic tea bagging machines, a product for which we are now the market leader. Nearly a decade later, in 1976, we began the production of automatic machines for the packaging of pharmaceutical products by launching our blister packaging machine, thereby expanding our operations to another business segment.

During the 1980s, we expanded our geographical presence to the United Kingdom, France, Germany, the United States and Austria with the aim of strengthening our distribution networks. In addition, we continued our growth strategy by completing several bolt-on acquisitions in the Pharmaceutical segment, including CMS, Zanasi, Farmatic, Farmomac, PM System, Cestind and WinPack.

After an additional two decades of sustained growth, in 1995 we listed our shares on the Milan Stock Exchange. Since 2001, we have been listed on the STAR (prime quality stocks) segment of the Milan Stock Exchange. The Vacchi family continues to own a controlling equity interest. The listing helped us fund our expansion plan and reinforce our position as a global player through acquisitions in Italy, Germany and India, along with establishing a presence in China and Japan. In addition, the transformation into a public company prompted management to modernize our internal organization, with a view to ensuring sustainable growth.

Since the late 2000s, we continued to acquire companies with the goal of acquiring technological capabilities and organize the company to become a leader in its key business segments. In 2008, we acquired the freeze-drying machinery business of the BOC Edwards Pharmaceutical Systems Group, a leader in that market with operations in the Netherlands, the United States, and China. In 2010, we acquired GIMA S.p.A., based near Bologna, Italy, which operated in the automation, coffee, confectionary, personal care, and tobacco markets. In 2011, we acquired Sympak Corazza Group, a dairy and convenience food packaging company, to give us greater exposure to those growing markets. In 2012, we implemented a new organizational structure with two main brands: IMA Industries (machines for the packaging of tea, coffee, food and cosmetic products) and IMA Pharma (machines for the processing and packaging of pharmaceutical products). In 2013, we acquired ILAPAK Group, based in Switzerland, to gain exposure to the flexible packaging business. In 2016, we enhanced our product line and our global presence through the acquisition of the Medtech business of Komax Group, which has plants in Switzerland, the United States, and Malaysia. In 2017, we listed GIMA TT S.p.A. ("**GIMA TT**"), our subsidiary specialized in packaging for next generation tobacco products, on the Milan Stock Exchange, but, in 2019, we merged with GIMA TT, delisted it and made it the foundation of our Tobacco segment. In 2018, we acquired Tissue Machinery Company ("**TMC**"), a manufacturer of tissue and personal care products. In 2019, we acquired ATOP, a leading company in industrial automation for the production of electric motors for E-traction.

Principal Shareholders

Members of the Vacchi family own approximately 55.0% of the shares and 55.7% of the voting rights of So.Fi.M.A., Società Finanziaria Macchine Automatiche S.p.A. ("**SOFIMA**") (and, indirectly, the Issuer) and funds advised by BC Partners own approximately 44.0% of the shares and 44.3% of the voting rights of SOFIMA (and, indirectly, the Issuer). The remainder of the shares are owned by our management team through a dedicated investment vehicle. *See "Principal Shareholders".*

BC Partners is one of the most experienced private equity firms in Europe with a proven track record of supporting its portfolio companies to further deliver profitable growth. BC Partners is highly active, both in the industrial (26 investments globally) and pharmaceutical / healthcare (15 investments globally) sectors, with a successful track record of investing in Italian and international companies, such as Aenova, Forno d'Asolo, United Group, Pharmathen, Springer Nature, CeramTec and Synthon. The extensive experience in these sectors positions BC Partners to understand the complexities of the industry and support our management team. BC Partners also has a strong track record of driving cost savings and margin improvements, while at the same time growing its portfolio companies both organically and through targeted acquisitions with extensive experience integrating acquisitions and mergers into its portfolio companies.

Information about the Issuer

Sofima Holding S.p.A., a joint stock company (*società per azioni*) organized and existing under the laws of the Republic of Italy and registered with the Chamber of Commerce of Bologna No. 03889841205. The Issuer was formed on September 16, 2020. The Issuer is indirectly wholly owned by SOFIMA.

Current Trading

Current Trading of the Company following September 30, 2020

Based on unaudited preliminary management accounts for the month of October 2020, we believe that the Group is in a position to achieve results in line with our existing guidance to the market, namely that we would expect to see a reduction in EBITDA for the full year ended December 31, 2020 of about 10.0% compared to our results in 2019. In 2020, our results were unusually strong in the third quarter, likely due to the extraordinary circumstances related to the Covid-19 emergency and our continued work throughout August, and we completed several projects in our Backlog at that time rather than at the end of the year. This additional summary activity will therefore result in our fourth quarter revenues being lower than what we have realized in prior years. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Key Factors That Have Affected Our Results of Operations—Effects of Covid-19 and Resiliency of Company*."

The unaudited preliminary management accounts presented above are based on unaudited accounts through October 31, 2020 prepared by management and is not intended to be a comprehensive statement of our financial or operational results since September 30, 2020. The unaudited preliminary management accounts were not prepared with a view towards compliance with published guidelines of the SEC, CONSOB, the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of preliminary management accounts, IFRS or GAAP.

Our independent statutory auditors have not audited, reviewed, compiled or performed any procedures with respect to the accompanying unaudited preliminary management accounts for the purpose of its inclusion herein, and accordingly, our independent statutory auditors do not express an opinion or provide any form of assurance with respect thereto for the purpose of this Offering Memorandum. Furthermore, the unaudited preliminary management accounts does not take into account any circumstances or events occurring after the date it was prepared.

The unaudited preliminary management accounts set out above is based on a number of assumptions that is subject to inherent uncertainties and subject to change, including, among others, with respect to Covid-19. In addition, while we believe the unaudited preliminary management accounts to be reasonable, our actual results for three months (or the full year) ended December 31, 2020 may vary from the preliminary management accounts contained above, and such variations could be material. As such, you should not place undue reliance on the inclusion of unaudited preliminary management accounts in this document should not be regarded as an indication that such preliminary management accounts will be an accurate prediction of future events, and such information should not be relied on as such. See "*Forward-Looking Statements*" and "*Risk Factors*" for a more complete discussion of certain of the factors that could affect our future performance and results of operations.

The Transactions

The Transactions Agreement

On July 28, 2020, May Holding S.à.r.l., an entity indirectly owned by BC Partners, entered into an agreement relating to the sale and purchase to acquire, directly or indirectly, approximately 20.0% of the shares of SOFIMA (the "**Transactions Agreement**"). At such time, SOFIMA owned approximately 51.6% of the share capital and approximately 67.0% of the voting rights of the Company. Between November 9, 2020 and November 16, 2020, SOFIMA contributed, through a series of intragroup transfers, its shares in the Company to IMA Bidco, which is wholly owned by the Issuer.

Over-the-counter purchases, Related Party Ownership and Third Party Irrevocable Commitments

IMA Bidco communicated that it has completed over-the-counter purchases of Outstanding Company Shares on November 18, 2020, November 20, 2020 and November 27, 2020 totaling 6,508,805 shares representing approximately 15.10% of the Outstanding Company Shares. As a result of such over-the-counter purchases, as of the date of this Offering Memorandum, the Issuer indirectly owns approximately 66.82% of the Outstanding Company Shares, which represents voting power sufficient to approve the Delisting Merger at a shareholder meeting.

In addition to our above holdings, certain related parties own an additional 381,069 shares, representing approximately 0.88% of the Outstanding Company Shares, which we would expect to purchase.

Furthermore, on November 18, 2020, Hydra S.p.A. ("**Hydra**") informed us of its irrevocable decision to tender its shares in the MTO with holdings equal to 2.5% of the Outstanding Company Shares, and, therefore, we would expect to purchase such shares through the MTO.

As a consequence, IMA Bidco expects to be in a position to vote at least 70.2% of the Outstanding Company Shares in favor of the Delisting Merger (as described below) even if no additional Outstanding Share of the Company were to be tendered to us as part of the MTO (as defined below).

Utilizations of the Senior Secured Bridge Facility following the date of this Offering Memorandum (following the purchase of 381,069 certain related parties shares representing approximately 0.88% of the Outstanding Company Shares) shall be made in accordance with the requirements of the Release Use from the Escrow Accounts as described under the definition of "Release Use" in the "Description of the Notes."

MTO and Potential Sell-Out or Squeeze-Out

On November 10, 2020, IMA Bidco announced that it will be required to launch a mandatory tender offer to the remaining minority shareholders for all of the remaining Outstanding Company Shares (the

“**MTO**”). The MTO offering document is currently under review by CONSOB and it is currently expected that CONSOB will approve the MTO offering document by mid-December 2020, and that the MTO offering period should commence on or about mid-December 2020 and, should this be the case, we expect that the MTO offering period would end on or about mid-January 2021. The MTO is mandatory in nature and to the extent we acquire more than 90.0% of the Outstanding Company Shares, a Delisting by law will occur following the completion of the MTO.

The purchase price of the MTO will be €68.00 per share (the “**MTO Price**”), which represents a premium of 26.3% and 20.8% over the average trading price of the Company’s shares over the past month and six months, respectively, in each case of the announcement of the transaction on July 28, 2020.

The public price per share of the Company’s shares was €67.85 as of December 3, 2020 according to Borsa Italiana.

If, as a result of the MTO, IMA Bidco comes to own more than 90.0% and less than 95.0% of the share capital of the Company, pursuant to Article 108, paragraph 2 of the Italian Finance Law and taking into account that the purpose of the MTO is to achieve the Delisting of IMA, IMA Bidco will have an obligation to purchase shares from any minority shareholders making a request to such effect, any residual shares in the Company that such minority shareholders own (“**Sell-Out**”).

If, as a result of the MTO and/or the Sell-Out, IMA Bidco comes to own at least 95.0% of the share capital of the Company, IMA Bidco will be granted a right, pursuant to Article 111, paragraph 1 of the Italian Finance Law, to purchase from minority shareholders all of their residual shares in the Company and, simultaneously, it will have an obligation, pursuant to Article 108, paragraph 1 of the Italian Finance Law, to purchase, by any minority shareholders making a request to such effect, their residual shares in the Company (“**Squeeze-Out**”).

The Mergers

As of the date of this Offering Memorandum, the Issuer indirectly owns more than two-thirds of the Outstanding Company Shares. Following the Completion Date:

- should the Issuer acquire 100.0% of the Outstanding Company Shares in the context of the MTO (including the Sell-Out and the Squeeze-Out), the Issuer intends to consummate the Company Merger. “**Company Merger**” means the merger of the Issuer, IMA Bidco and the Company on terms complying with Articles 2501-bis (et seq.) of the Italian Civil Code (the surviving entity of the Company Merger being “**Company MergerCo**”) following the acquisition of 100.0% of the shares in the Company pursuant to the MTO (including the Sell-Out and the Squeeze-Out).
- should the Issuer not acquire 100.0% of the Outstanding Company Shares, in the context of the MTO (including the Sell-Out and the Squeeze-Out) and regardless of the number of Outstanding Company Shares that the Issuer will acquire, the Company intends to complete the Delisting Merger. “**Delisting Merger**” means the merger of IMA Bidco and the Company (the surviving entity of the Delisting Merger being “**Delisting MergerCo**”). Following completion of the Delisting Merger, the Issuer may complete the Debt Push Company Merger. “**Debt Push Company Merger**” means the merger of the Delisting MergerCo and the Issuer (the surviving entity of the Merger being the “**Debt Push MergerCo**”) on terms complying with Articles 2501-bis (*et seq.*) of the Italian Civil Code as soon as reasonably practicable, following completion of the Delisting Merger in the event we own 100.0% of the Outstanding Company Shares. To the extent that the Debt Push Company Merger does not occur because we do not own 100.0% of Outstanding Company Shares, the Issuer will have access only to its proportionate share of any dividends or distributions from the Company for purposes of making payments under the Notes, there may be limits to the degree of control the Issuer can exercise over the Company due to the continued presence of minority shareholders and the Notes will be structurally subordinated to any future third party debt of the Company and its subsidiaries. However, the Issuer intends to lend a portion of the proceeds of the Notes to the Company to repay the existing financial indebtedness of the Company (excluding finance

leases), and the Issuer will provide security interests in such proceeds loans in favor of the Notes. See below, "*—The Refinancing*". See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The Issuer may be unable to complete the Mergers and therefore the Notes may remain at the Issuer rather than a successor of one of the Mergers or the Company*" and "*Risk Factors—Minority and activist shareholders may disagree with decisions of the Board of Directors of the Company and the decisions of SOFIMA*."

The Company's shareholders who did not participate in the resolution approving the Delisting Merger would have the right to give up their shares at a pre-defined liquidation value paid in cash ("Withdrawal Right"). In this case, the liquidation value of the shares subject to withdrawal would be determined pursuant to Italian law, with exclusive reference to the average of the closing prices in the six months preceding the publication of the notice of the shareholders meeting at which the resolutions approving the Delisting Merger were adopted.

Delisting and Delisting Merger

Based on market reaction to date and the strong interest in sales of further Outstanding Company Shares to IMA Bidco outside of the MTO, the Issuer expects a strong uptake in the MTO. Further, IMA Bidco may continue to purchase shares over-the-counter outside of the MTO. While the Issuer expects a strong uptake in the MTO, other than under the Sell-Out and the Squeeze-Out, the ability to tender is purely voluntary for existing shareholders and the Issuer cannot provide any assurances on the uptake of the MTO. For illustrative purposes, even in the event that the Issuer was to acquire no further Outstanding Company Shares and therefore continue to own only 66.82% of the Outstanding Company Shares, the Issuer would intend to proceed in the following manner:

- to pursue the Delisting via the Delisting Merger, for which the Issuer has sufficient voting power at its current shareholding under Italian law, but which is subject to certain other conditions; and
- in any event, IMA Bidco will utilize no less than €930.0 million of proceeds of the Notes to (i) refinance amounts already drawn under the Senior Secured Bridge Facility Agreement, (ii) lend money to the Company to repay the existing financial indebtedness of the Company (excluding finance leases), and (iii) pay certain transactions fees and expenses and provide cash available for working capital and balance sheet purposes to the Company. See "*Use of Proceeds*."

Purchases of Company shares, which utilize proceeds of the Notes held in escrow, will be funded via a combination of such proceeds of the Notes held in escrow and equity contributed to IMA Bidco such that following the proportion of equity contribution to the amount of proceeds released from escrow for such purpose will be at least 76.4%.

Each of the Company Merger, the Delisting Merger and the Debt Push Company Merger are subject to certain conditions and may not be completed or may take several months to finalize given the required legal processes. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The Issuer may be unable to complete the Mergers and therefore the Notes may remain at the Issuer rather than a successor of one of the Mergers or the Company*".

The Refinancing

As part of the Transactions, the Issuer intends to refinance all of the existing financial indebtedness of the Company (other than finance leases).

Sources and Uses

Sources

The purchase price for the Transactions values the equity of the Company at approximately €2.93 billion (subject to customary purchase price adjustments). Assuming the Transactions lead to an acquisition of 100.0% of the Outstanding Company Shares by IMA Bidco, we expect the transaction funding sources to be as follows following the offering of the Notes with a reducing scale of financing required in the event that less than 100.0% of the Outstanding Company Shares are acquired by IMA Bidco:

- the offering of the Notes in an aggregate principal amount of €1,280.0 million by the Issuer. The gross proceeds from the offering of the Senior Secured Floating Rate Notes will be €450.0 million and the gross proceeds from the offering of the Senior Secured Fixed Rate Notes will be €830.0 million;
- the Equity Contribution;
- €167.1 million in cash and cash equivalents (including other cash equivalents) of the Company as of September 30, 2020; and
- €114.5 million in cash and cash equivalents which is expected to be generated from operations of the Company since October 1, 2020 or contributed through equity,

(collectively, the "**Transactions Financing Sources**"). See "*Use of Proceeds*".

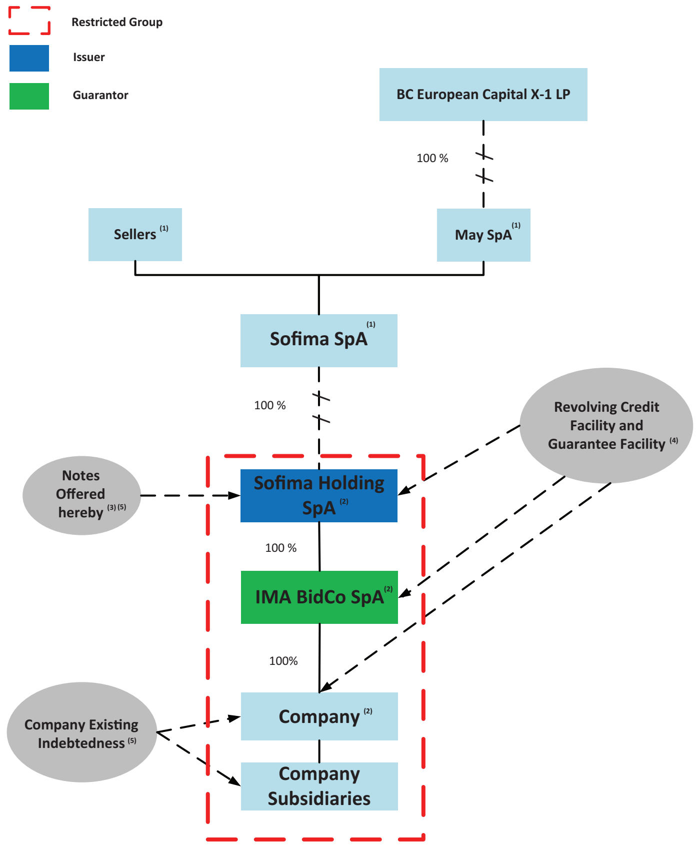
Uses

On the Issue Date, (i) a portion of the proceeds in the amount of the outstanding Senior Secured Bridge Facility (which was approximately €450.0 million as of the date of this Offering Memorandum, but which may increase prior to the Issue Date), plus certain interest, fees and expenses, shall be repaid to the lenders under the Senior Secured Bridge Facility Agreement and to repay certain other applicable amounts and (ii) an amount equal to approximately €830.0 million less certain fees payable with respect to the Offering and the Transactions (which may reduce prior to the Issue Date to the extent used to pay additional amounts under (i)) of the gross proceeds of the offering of the Notes shall be deposited into the Escrow Accounts. Amounts may then be released from the Escrow Accounts in order to (i) make over-the-counter purchases of Outstanding Company Shares by IMA Bidco (if any); (ii) purchase shares under the MTO Acquisition, including purchase shares under the Sell-Out or Squeeze-Out Acquisition (or to fund the payment of any purchases pursuant to Withdrawal Rights); (iii) repay existing debt of, and funding of certain net working capital and cash and cash equivalents on balance sheet of, the Company and its subsidiaries; and (iv) pay any costs, fees and/or expenses related to the Transactions.

SUMMARY CORPORATE AND FINANCING STRUCTURE

The following charts summarize our corporate and financing structure as of the date of this Offering Memorandum and as adjusted to give effect to the Transactions, assuming that 100% of the Outstanding Company Shares are acquired through the MTO and the other Transactions. The charts are provided for illustrative purposes only and do not represent all legal entities or debt obligations of the entities presented. For a summary of certain debt obligations, please refer to the sections entitled "Description of the Notes", "Description of Certain Financing Arrangements" and "Capitalization".

Corporate and Financing Structure Prior to Any Merger



(1) Upon consummation of the Transactions, assuming 100% of the Outstanding Company Shares are acquired, the Sellers will own approximately 55.0% of the shares and 55.7% of the voting rights of SOFIMA (and indirectly the Issuer) and BC Partners will own approximately 44.0% of the shares and 44.3% of the voting rights of SOFIMA (and indirectly the Issuer). The remainder of the shares are owned by our management team through a dedicated investment vehicle.

(2) Following the MTO, we intend to undertake the Delisting Merger or the Company Merger. For additional details on the potential internal merger transactions see "*The Transactions—The Transactions—The Mergers*". Any such merger transaction will be subject to certain conditions and may not be completed. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The Issuer may be unable to complete the Mergers and therefore the Notes may remain at the Issuer rather than a successor of one of the Mergers or the Company*". Following September 30, 2020, as part of the Transactions, the direct parent of the Issuer sold to the Issuer certain ordinary Outstanding Company Shares (which shares have been reflected as an Equity Contribution for the purposes of this Offering Memorandum) for a purchase price of €240.0 million which was not paid by the Issuer, but is represented, as of the date of this Offering Memorandum, by a subordinated intercompany receivable owed by the Issuer to its direct parent which will be pledged in favor of the holders of the Notes as part of the Notes Collateral. It is expected that such intercompany receivable will be foregone by the direct parent of the Issuer, as part of the Transactions once IMA Bidco acquires at least 70.0% of the Company's Outstanding Shares (which given additional Company Outstanding Shares notified as likely to be tendered will likely be the case).

(3) The Notes will be senior obligations of the Issuer. On the Issue Date, the Notes will be secured by security interests in the Notes escrow accounts. Subject to the Agreed Security Principles, security interests in the Collateral will be provided as set forth under "*Summary—The Offering—Security*".

(4) Prior to the Issue Date, the Issuer has entered into the Revolving Credit Facility Agreement and the Guarantee Facility Agreement. As of December 6, 2020, we had utilized approximately €78.6 million of bank guarantees under the Guarantee Facility. For more information on the Revolving Credit Facility and the Guarantee Facility. See "*Description of Certain Financing Arrangements—Revolving Credit Facility and—Guarantee Facility*". The Issuer has also entered into the Senior Secured Bridge Facility Agreement under which certain cash confirmations will remaining outstanding until the end of the MTO period. Prior to the date of this Offering Memorandum, the Issuer has drawn approximately €450.0 million for the financing of over-the-counter purchases of Outstanding Company Shares. Prior to the Issue Date, further amounts may be drawn under the Senior Secured Bridge Facility Agreement for further purchases of Outstanding Company Shares.

(5) On the Issue Date, the Notes will be guaranteed by IMA Bidco. Subsequently, the Notes will be guaranteed jointly and severally on a senior basis, subject to the Agreed Security Principles, by each Subsidiary of the Issuer that is a guarantor under the Revolving Credit Facility (such guarantees being "**Guarantees**" and IMA Bidco and such Subsidiaries, the "**Guarantors**"). The Issuer and IMA Bidco are newly formed and do not have any material assets or indebtedness or any revenue generating assets, other than Outstanding Company Shares. As of September 30, 2020, after giving *pro forma* effect to the Transactions, the Issuer would have had €1,280.0 million of total debt on a standalone basis, all of which is represented by the Notes. The Guarantees will be subject to legal and contractual limitations. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The Guarantees and the Notes Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*" and "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Law Considerations*."

(6) As part of the sources of the equity contribution, SOFIMA intends to issue up to €310.0 million in principal amount of payment-in-kind notes secured on share pledges (with customary restrictive covenants but no covenant or other provisions that could result in a default under the Notes). Such notes mature later than the Notes offered hereby. A portion of such notes have been issued prior to the Issue Date.

THE OFFERING

The following summary of the Offering contains basic information about the Notes. It is not intended to be complete and it is subject to important limitations and exceptions. For a more complete description of the terms of the Notes, including certain definitions of terms used in this summary, see "Description of Certain Financing Arrangements" and "Description of the Notes".

Issuer	Sofima Holding S.p.A.
Notes Offered:	
Senior Secured Floating Rate Notes	€450.0 million aggregate principal amount of Senior Secured Floating Rate Notes due 2028.
Senior Secured Fixed Rate Notes	€830.0 million aggregate principal amount of 3.75% Senior Secured Fixed Rate Notes due 2028.
Issue Date	December 29, 2020.
Maturity Date:	
Senior Secured Floating Rate Notes	January 15, 2028.
Senior Secured Fixed Rate Notes	January 15, 2028.
Interest Rate and Interest Payment Dates:	
Senior Secured Floating Rate Notes	Three-month EURIBOR (subject to a 0.0% floor) plus 4.00% per annum, reset quarterly. Interest on the Senior Secured Floating Rate Notes will be payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, commencing on April 15, 2021. Interest on the Senior Secured Floating Rate Notes will accrue from the Issue Date.
Senior Secured Fixed Rate Notes	3.75% per annum, payable semi-annually in arrears on January 15 and July 15 of each year, commencing on July 15, 2021. Interest on the Senior Secured Fixed Rate Notes will accrue from the Issue Date.
Issue Price:	
Senior Secured Floating Rate Notes	99.75% plus accrued interest, if any, from the Issue Date.
Senior Secured Fixed Rate Notes	100.00% plus accrued interest, if any, from the Issue Date.
Form and Denomination	Notes will be issued in global form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof maintained in Book-Entry form. Notes in denominations of less than €100,000 will not be available.
Ranking of the Notes	The Notes will: • be general senior obligations of the Issuer, secured as set forth under "*Description of the Notes—Security*";

- rank *pari passu* in right of payment to all existing and future senior indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes, including the Revolving Credit Facility, the Guarantee Facility, and the Senior Secured Bridge Facility;
- rank senior in right of payment to any future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- be effectively senior to any existing and future indebtedness of the Issuer that is not secured by the security interests securing the notes to the extent of the value of such security interests;
- be effectively subordinated to any existing and future indebtedness (including obligations to trade creditors) of the Issuer and its Subsidiaries that is secured by property or assets that do not secure the Notes, to the extent of the value of the property and assets securing such indebtedness; and
- be effectively subordinated to any existing or future indebtedness or obligations of the Subsidiaries of the Issuer that are not Guarantors.

Guarantees

On the Issue Date, the Notes will be guaranteed by IMA Bidco a joint stock company (*societa per azioni*) incorporated in Italy and a wholly-owned subsidiary of the Issuer. Subsequently, the Notes will be guaranteed jointly and severally on a senior basis, subject to the Agreed Security Principles and the Intercreditor Agreement, by each Subsidiary of the Issuer that is a guarantor under the Revolving Credit Facility.

The Issuer and IMA Bidco are newly formed and do not have any material assets or any revenue generating assets, other than shares in the Company.

As of September 30, 2020, after giving effect to the Transactions and assuming the acquisition of 100% of the Outstanding Company Shares the Issuer and its consolidated subsidiaries would have had €1,441.4 million of Total debt, of which €1,280.0 million is represented by the Notes.

The Guarantees will be subject to the terms of the Intercreditor Agreement and may be subject to release under certain circumstances. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Notes—Guarantees*".

Ranking of the Guarantees

The Guarantees will, upon issuance:

- be general senior obligations of the applicable Guarantor;
- rank *pari passu* in right of payment with all of the applicable Guarantor's existing and future senior indebtedness that is not expressly subordinated in right of payment to such Guarantee, including that Guarantor's obligations under the Revolving Credit Facility, the Guarantee Facility, and the Senior Secured Bridge Facility;

- rank senior in right of payment to any existing and future indebtedness of the applicable Guarantor that is expressly subordinated in right of payment to its Guarantee; and
- be effectively subordinated to any existing and future indebtedness of the relevant Guarantor that is secured by property or assets that do not secure its Guarantee, to the extent of the value of the property and assets securing such indebtedness.

The Guarantees will be subject to the limitations described under "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Law Considerations*" and "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The Guarantees of IMA Bidco and any further Italian Guarantor are limited by the Indenture and each of the Guarantees is furthermore significantly limited by applicable laws and subject to certain limitations and defenses*."

Security

On the Issue Date, the Notes will be secured by security interests in the Notes escrow accounts.

Subject to and in accordance with the Agreed Security Principles, the Intercreditor Agreement and certain perfection requirements, the following security interests shall be provided securing the Notes:

(a) on or prior to the Issue Date, a pledge by the direct parent of the Issuer over shares owned by it in the capital of the Issuer;

(b) on or prior to the Issue Date, the Issuer shall provide a pledge over the shares in IMA Bidco;

(c) on or prior to the Issue Date, the direct parent of the Issuer will provide an assignment by way of security over the structural intercompany receivables owed to it by the Issuer;

(d) to the extent applicable and not previously assigned, on or about the Issue Date, the Issuer shall provide an assignment by way of security over the structural intercompany receivables owed to it by IMA Bidco;

(e) within five (5) Business Days after (and excluding) each escrow release date, the Issuer shall provide, to the extent applicable and not previously assigned, an assignment by way of security over the structural intercompany receivables (if any, otherwise no such assignment shall be granted) owed to it by IMA Bidco or the Company;

(f) on or about December 14, 2020 (or if later, the Issue Date), IMA Bidco shall provide (i) a pledge over the shares owned by it in the Company, and (ii) to the extent applicable and not previously assigned, an assignment by way of security over the structural intercompany receivables (if any) owed to it by the Company;

(g) within 20 Business Days after (and excluding) each escrow release date, IMA Bidco shall, to the extent applicable and not previously assigned, provide an assignment by way of security over the structural intercompany receivables (if any) owed to it by the Company;

(h) within 20 Business Days after (and excluding) the date of completion of the MTO, IMA Bidco shall provide a pledge over the shares owned by it in the Company (to the extent not previously pledged);

(i) within 20 Business Days after (and excluding) the date of completion of the Sell-Out or Squeeze-Out Acquisition and/or the last date of completion of any over-the-counter purchases of Outstanding Company Shares, IMA Bidco shall provide a pledge over the shares owned by it in the Company (to the extent not previously pledged);

(j) within ten Business Days after (and excluding) the date of completion of the Company Merger (as defined below), the direct parent of the Issuer shall, as the case may be, provide or reconfirm (i) a pledge over all the shares owned by it in Company MergerCo, and (ii) to the extent applicable and not previously assigned, an assignment by way of security over the structural intercompany receivables (if any) owed to it by Company MergerCo;

(k) within ten Business Days after (and excluding) the date of completion of the Delisting Merger (and, with respect to (ii) below, each later escrow release date where the proceeds from such release are on-lent to the Delisting MergerCo), the Issuer shall, as the case may be, provide or reconfirm, (i) a pledge over all the shares owned by it in Delisting MergerCo, and (ii) an assignment by way of security over the structural intercompany receivables (if any) owed to it by Delisting MergerCo;

(l) within ten Business Days after (and excluding) the date of completion of the Debt Push Merger (defined below), the direct parent of the Issuer shall, as the case may be, provide or reconfirm (i) a pledge over all the shares owned by it in Debt Push MergerCo and (ii) to the extent applicable and not previously assigned, an assignment by way of security over the structural intercompany receivables (if any) owed to it by Debt Push MergerCo (if any, otherwise no such assignment shall be granted);

(m) to the extent required by the Revolving Credit Facility Agreement or the Guarantee Facility after the accession of any subsidiary as a guarantor, and to the extent not previously provided, each relevant Group company shall provide a pledge over the shares it owns in each material subsidiary or borrower under the Revolving Credit Facility Agreement or the Guarantee Facility; and

(n) subject to the Agreed Security Principles and related party transaction rules, security to be granted by IMA Bidco over the proceeds loan to the Company (if any) and by the Company over any proceeds loan to the Group (if any).

The Notes Collateral will also secure the Revolving Credit Facility, Guarantee Facility, the Senior Secured Bridge Facility and certain hedging obligations. The Notes Collateral will be

	granted subject to the terms of the Intercreditor Agreement, certain agreed security principles and the terms of the security documents. The Notes Collateral may be released under certain circumstances. See "*Description of Certain Financing Arrangements—Issuer Debt related to the Transactions—Intercreditor Agreement*" and "*Description of the Notes—Security—Release of Liens*".
	The security interests in the Notes Collateral may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability. See "*Description of the Notes—Security*", "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Law Considerations*" and "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral*".
	Under the terms of the Intercreditor Agreement, in the event of enforcement of the Notes Collateral, the holders of the Notes will receive proceeds from such collateral only after the lenders under the Revolving Credit Facility, the Guarantee Facility, counterparties to certain super priority hedging obligations, the Security Agent, any receiver and certain creditor representatives have been repaid in full. See "*Risk Factors—Creditors under the Revolving Credit Facility, the Guarantee Facility, certain hedging liabilities and certain debt that the Issuer may incur in the future will be entitled to be repaid with the proceeds of the Notes Collateral sold in any enforcement sale in priority to the Notes*" and "*Description of Certain Financing Arrangements—Issuer Debt related to the Transactions—Intercreditor Agreement*".
Escrow of Proceeds; Special Redemption	Pending the consummation of the Transactions, and the satisfaction of certain other conditions as described herein, following the repayment in full of outstanding amounts under the Senior Secured Bridge Facility, an amount equal to the gross proceeds of the offering of the Floating Rate Notes and Fixed Rate Notes *less* any amounts used to repay the Senior Secured Bridge Facility on the Issue Date and to pay certain fees in relation to the Offering, will be deposited into segregated Escrow Accounts pursuant to the terms the Escrow Agreement. At any time following the Issue Date, the Issuer may elect, in its sole discretion and subject to certain conditions, to redeem Notes in an amount equal to the Escrowed Property remaining in the Escrow Accounts at a price equal to 100% of the initial issue price of the Notes redeemed plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to, but excluding, the Special Redemption Date. See "*Description of the Notes—Escrow of Proceeds; Special Redemption*."
	Following delivery to the Trustee and the Escrow Agent of an officer's certificate confirming that certain of the conditions to the release of the proceeds from escrow have been met or will be satisfied, all or a portion of the escrow proceeds will be released to the Issuer and utilized as described in "*The Transactions*", "*Use of Proceeds" and "Description of the Notes—Escrow of Proceeds; Special Redemption*".
	In the event that (a) certain events of default occur with respect to the Issuer or (b) at the Issuer's election at any time (the date of any such event being the "Special Termination Date"), the

	Issuer will (in the case of (a)) or may (in the case of (b)), redeem up to the lesser of (Y) the aggregate principal amount of the Notes that have not been the subject of a release and (Z) €350.0 million of the Notes (the "**Special Redemption**") at a price (the "**Special Redemption Price**") equal to 100.0% of the initial issue price of the Notes redeemed plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to, but excluding, the Special Redemption Date (as defined below) (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); provided that as long as the outstanding aggregate principal amount of each of the Fixed Rate Notes or Floating Rate Notes remains, after giving effect to such Special Redemption, at least €250.0 million, the Issuer may, in its discretion, elect to redeem any combination of Fixed Rate Notes or Floating Rate Notes.
Optional Redemption:	
Senior Secured Floating Rate Notes	At any time prior to January 15, 2022, the Issuer may redeem the Senior Secured Floating Rate Notes, in whole or in part, at its option, upon not less than ten (10) nor more than 60 days' prior notice at a redemption price equal to 100.000% of the principal amount of such Senior Secured Floating Rate Notes, *plus* accrued and unpaid interest and additional amounts, if any, to (but not including) the applicable redemption date, *plus* a "make-whole" premium, as described under "*Description of the Notes—Optional Redemption*". At any time and from time to time on or after January 15, 2022, the Issuer may redeem the Senior Secured Floating Rate Notes, in whole or in part, at its option, upon not less than ten (10) nor more than 60 days' prior notice at a redemption price equal to 100.000% of their principal amount, *plus* accrued and unpaid interest and additional amounts, if any, to (but not including) the applicable redemption date, as described under "*Description of the Notes—Optional Redemption*".
Senior Secured Fixed Rate Notes	At any time prior to January 15, 2023, the Issuer may redeem the Senior Secured Fixed Rate Notes, in whole or in part, at its option, upon not less than ten (10) nor more than 60 days' prior notice at a redemption price equal to 100.000% of the principal amount of such Senior Secured Fixed Rate Notes, plus accrued and unpaid interest and additional amounts, if any, to (but not including) the applicable redemption date, plus a "make-whole" premium, as described under "Description of the Notes—Optional Redemption". At any time prior to January 15, 2023, the Issuer may on one or more occasions redeem up to 40.0% of the aggregate principal amount of the Senior Secured Fixed Rate Notes (including the principal amount of any additional Senior Secured Fixed Rate Notes), upon not less than ten (10) nor more than 60 days' notice, using the net proceeds from certain equity offerings at a redemption price equal to 103.750% of the principal amount of the Senior Secured Fixed Rate Notes, plus accrued and unpaid interest and additional amounts, if any, to, but not including, the applicable redemption date; provided that at least 50.0% of the

	original aggregate principal amount of the Senior Secured Fixed Rate Notes (including the principal amount of any additional Senior Secured Fixed Rate Notes) remains outstanding immediately after each such redemption and the redemption occurs within 180 days after the closing of such equity offering. See "Description of the Notes—Optional Redemption". At any time prior to January 15, 2023, the Issuer may redeem up to 10.0% of the aggregate principal outstanding amount of the Senior Secured Fixed Rate Notes (calculated after giving effect to the issuance of any additional Senior Secured Fixed Rate Notes) during each calendar year commencing from the Issue Date, from time to time, upon not less than ten (10) nor more than 60 days' prior written notice, at a redemption price equal to 103.0% of the principal amount of the Senior Secured Fixed Rate Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to (but not including) the applicable redemption date. At any time and from time to time on or after January 15, 2023, the Issuer may redeem the Senior Secured Fixed Rate Notes, in whole or in part, at its option, upon not less than ten (10) nor more than 60 days' prior notice at the redemption prices described under "*Description of the Notes—Optional Redemption*".
Tax Redemption	If certain changes in the law of any relevant taxing jurisdiction are announced and become effective on or after the issuance of the Notes that would require the Issuer or the Guarantors to pay Additional Amounts (as defined in "*Description of the Notes—Withholding Taxes*"), the Issuer may redeem the Senior Secured Floating Rate Notes or the Senior Secured Fixed Rate Notes, as applicable, in whole, but not in part, at any time, at a redemption price of 100.0% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to the redemption date. See "*Description of the Notes—Redemption for Taxation Reasons*".
Additional Amounts	Any payments made by or on behalf of the Issuer or any Guarantor in respect of the Notes or with respect to any Guarantee will be made without withholding or deduction for taxes in any relevant taxing jurisdiction unless required by law. Subject to certain exceptions and limitations, if the Issuer, any Guarantor or the paying agent is required to withhold or deduct such taxes with respect to a payment on any Note, such Issuer or Guarantor will pay the additional amounts necessary so that the net amount received by each holder after such withholding or deduction is not less than the amount that would have been received in the absence of the withholding or deduction. Our obligation to gross up is, however, subject to a number of exceptions. See "*Description of the Notes—Withholding Taxes*".
Change of Control	Upon certain events defined as constituting a change of control, the Issuer may be required to make an offer to purchase the outstanding Notes at a purchase price equal to 101.0% of their principal amount thereof, plus accrued and unpaid interest and

additional amounts, if any, to the date of purchase. A change of control will not be deemed to have occurred if a certain consolidated net leverage ratio is not exceeded as a result of such event. See "*Description of the Notes—Change of Control*" and "*Description of the Notes—Certain Definitions—Specified Change of Control Event*."

Certain Covenants

The Indenture, among other things, will restrict the ability of the Issuer and its restricted subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- pay dividends, redeem capital stock and make certain investments;
- make certain other restricted payments;
- create or permit to exist certain liens;
- impose restrictions on the ability of the Issuer's subsidiaries to pay dividends;
- transfer or sell certain assets;
- merge or consolidate with other entities;
- enter into certain transactions with affiliates; and
- impair the security interests for the benefit of the holders of the Notes.

Certain of the covenants will be suspended if the relevant Notes obtain and maintain an investment-grade rating. Each of the covenants in the Indenture will be subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants*".

Use of Proceeds

On the Issue Date, (i) a portion of the proceeds in the amount of the outstanding Senior Secured Bridge Facility (which was approximately €450.0 million as of the date of this Offering Memorandum, but which may increase prior to the Issue Date), plus certain interest, fees and expenses, shall be repaid to the lenders under the Senior Secured Bridge Facility Agreement and to repay certain other applicable amounts and (ii) an amount equal to approximately €830.0 million less certain fees payable with respect to the Offering and the Transactions (which may reduce prior to the Issue Date to the extent used to pay additional amounts under (i)) of the gross proceeds of the offering of the Notes shall be deposited into the Escrow Accounts. Amounts may then be released from the Escrow Accounts in order to (i) make over-the-counter purchases of Outstanding Company Shares by IMA Bidco (if any); (ii) purchase shares under the MTO Acquisition, including purchase shares under the Sell-Out or Squeeze-Out Acquisition (or to fund the payment of any purchases pursuant to Withdrawal Rights); (iii) repay existing debt of, and funding of certain net working capital and cash and cash equivalents on balance sheet of, the Company and its subsidiaries; and (iv) pay any costs, fees and/or expenses related to the Transactions. See "*Use of Proceeds.*"

Transfer Restrictions	The Notes have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transferability and resale. See "*Transfer Restrictions*". We have not agreed to, or otherwise undertaken to, register the Notes under the securities laws in any jurisdiction (including by way of an exchange offer).
Absence of a Public Market for the Notes	The Notes will be new securities for which there is currently no established trading market. Although the Initial Purchasers have advised us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, there is no assurance that an active trading market will develop for the Notes.
Listing	Application will be made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market in accordance with the rules thereof. There is no assurance that the Notes will be, or will remain, listed and admitted to trading on the Euro MTF Market.
Listing Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch.
Trustee	BNY Mellon Corporate Trustee Services Limited.
Escrow Agent	Citibank, N.A., London Branch.
Transfer Agent and Registrar	The Bank of New York Mellon SA/NV, Dublin Branch.
Paying Agent and Calculation Agent	The Bank of New York Mellon, London Branch.
Security Agent	Lucid Trustee Services Limited.
Governing Law of the Notes and the Indenture	New York.
Governing Law of the Intercreditor Agreement	English.
Governing Law of the Security Agreement	Italian.
Risk Factors	Investing in the Notes involves substantial risks. You should consider carefully all of the information in this Offering Memorandum and, in particular, you should evaluate the specific risk factors set forth in the "*Risk Factors*" section before making a decision whether to invest in the Notes.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The Issuer is a holding company formed for the purpose of facilitating the Transactions and is not expected to engage in any activities other than those related to its formation and the Transactions. The Issuer's only material assets and liabilities are currently, and are expected in the future to be, its interest in the issued and outstanding shares of its subsidiaries and its outstanding indebtedness and inter-company balances incurred in connection with the Transactions (including approximately 66.82% ownership of Outstanding Company Shares) and the other transactions described in this Offering Memorandum. See "*Capitalization*". Following the Completion Date, the Issuer will undertake normal acquisition accounting procedures that may affect future financial information of the Group.

The following summary consolidated financial information as of and for the years ended December 31, 2017, 2018 and 2019 was derived from the Consolidated Financial Statements. In the consolidated financial statements for the year ended December 31, 2018, the comparative income statement information for the year ended December 31, 2017 was restated to reflect the disposal of 60.0% of the investment in IMA Dairy & Food Holding GmbH, which occurred in 2018. The income statement information for the year ended December 31, 2017 presented herein is the restated financial information derived from the consolidated financial statements as of and for the year ended December 31, 2018. In the consolidated financial statements for the year ended December 31, 2019, the comparative income statement information for the year ended December 31, 2018 was restated, for comparative purpose, to reflect the recognition of capitalized costs as a deduction from operating costs instead of being classified in other revenue. The income statement information for the year ended December 31, 2018 presented herein is the restated financial information derived from the consolidated financial statements as of and for the year ended December 31, 2019. Summary consolidated financial information as of September 30, 2020 and for the nine months ended September 30, 2019 and 2020 was derived from the Unaudited Condensed Consolidated Interim Financial Statements. The Consolidated Financial Statements were prepared in accordance with IFRS and were audited by EY S.p.A. Interim results are not necessarily indicative of the results that may be expected for any other interim period nor are they indicative of results for a full year.

The unaudited consolidated statement of comprehensive income information and the other financial information presented for the twelve months ended September 30, 2020 have been derived by subtracting from the financial information of the 2019 audited consolidated financial statements the comparative financial information of the unaudited interim consolidated financial statements for the nine months ended September 30, 2019, and adding the financial information of the unaudited interim consolidated financial statements for the nine months ended September 30, 2020. The unaudited consolidated statement of comprehensive income information and the other financial information presented for the twelve months ended September 30, 2020 have been prepared for illustrative purposes only and are not necessarily representative of our results of operations for any future period or our financial condition at any future date. This data was prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of our financial reporting and has not been audited or reviewed.

This Summary Consolidated Financial Information should be read in conjunction with the financial statements included elsewhere in this Offering Memorandum and the notes thereto and the information set forth in "*Presentation of Financial and other Information*", "*Summary*", "*Business*", "*Use of Proceeds*", "*Capitalization*", "*Selected Consolidated Financial Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

Summary Consolidated Income Statement Information of the Company

	For the year ended December 31,			For the nine months ended September 30,		For the last twelve months ended September 30,
	2017 RESTATED	2018 RESTATED	2019	2019	2020	2020
			(€ millions)			
Revenue from contracts with customers	**1,320.2**	**1,500.4**	**1,595.5**	**1,008.3**	**1,015.8**	**1,603.0**
Other Revenue	**26.5**	**13.1**	**13.1**	**8.0**	**4.4**	**9.5**
Operating Costs						
Change in work in progress, semifinished and finished goods	14.7	(6.1)	1.5	49.3	55.1	7.3
Change in inventory of raw, ancillary and consumable materials	5.3	10.6	—	9.1	13.4	4.3
Cost of raw, ancillary and consumable materials and goods for resale	(481.4)	(555.4)	(598.1)	(412.6)	(428.4)	(613.9)
Services, rentals and leases	(294.3)	(321.1)	(324.1)	(229.6)	(202.5)	(297.0)
Personnel costs	(362.3)	(394.8)	(429.0)	(314.7)	(318.1)	(432.4)
Capitalized costs	—	20.8	27.1	17.2	17.1	27.0
Depreciation, amortization and write-downs	(33.4)	(44.1)	(81.6)	(54.9)	(70.0)	(96.7)
Provisions for risks and charges	(0.6)	(0.1)	(1.0)	(0.7)	(3.1)	(3.4)
Other operating costs	(8.9)	(13.2)	(10.9)	(7.5)	(8.5)	(11.9)
Total Operating Costs	**(1,160.9)**	**(1,303.4)**	**(1,416.1)**	**(944.4)**	**(945.0)**	**(1,416.7)**
Operating Profit	**185.8**	**210.1**	**192.5**	**71.9**	**75.2**	**195.8**
Financial Income and Expense						
Financial income	26.6	34.1	79.7	79.9	17.3	17.1
Financial expense	(41.9)	(34.6)	(43.1)	(36.3)	(36.5)	(43.3)
Total Financial Income and Expense	**(15.3)**	**(0.5)**	**36.6**	**43.6**	**(19.2)**	**(26.2)**
Profit (Loss) from Investments accounted for using the Equity Method	**1.3**	**2.4**	**(4.7)**	**3.1**	**3.8**	**(4.0)**
Profit before Taxes	**171.8**	**212.0**	**224.4**	**118.6**	**59.8**	**165.6**
Taxes	**(52.4)**	**(61.2)**	**(54.8)**	**(27.9)**	**(19.4)**	**(46.2)**
Net Profit from Continuing Operations	**119.4**	**150.8**	**169.6**	**90.7**	**40.4**	**119.3**
Profit (Loss) from Discontinued Operations/ Disposal Groups	**(20.0)**	**(26.2)**	**—**	**—**	**—**	**—**
Profit for the Year	**99.4**	**124.6**	**169.6**	**90.7**	**40.4**	**119.3**
Attributable to:						
Equity Holders of the Parent	**85.6**	**104.0**	**169.2**	**88.0**	**42.0**	**123.2**
Non-controlling Interests	**13.8**	**20.6**	**0.4**	**2.7**	**(1.6)**	**(3.9)**
Basic and diluted earnings per share (€)	**2.18**	**2.65**	**4.26**	**2.24**	**0.97**	**n.a.**

The following table shows reclassified income statement information for the years ended December 31, 2017, 2018 and 2019, for the nine months ended September 30, 2019 and 2020 and for the twelve months ended September 30, 2020. The reclassified income statement presents cost of sales and industrial gross profit.

	For the year ended December 31,			For the nine months ended September 30,		For the last twelve months ended September 30,
	2017 RESTATED	2018	2019	2019	2020	2020
	€ millions					
Revenue from contracts with customers	**1,320.2**	**1,500.4**	**1,595.5**	**1,008.3**	**1,015.8**	**1,603.0**
Cost of sales	(805.7)	(928.3)	(1,014.3)	(655.9)	(651.6)	(1,010.0)
Industrial gross profit	**514.5**	**572.1**	**581.2**	**352.4**	**364.2**	**593.0**
R&D costs	(51.0)	(55.3)	(53.9)	(40.5)	(45.3)	(58.7)
Commercial and sales costs	(125.2)	(136.7)	(143.5)	(102.5)	(99.0)	(140.0)
General and administrative costs	(145.1)	(163.6)	(183.6)	(130.5)	(142.7)	(195.8)
Operating profit before writedowns/ impairment / non-recurring items (EBITA)	**193.2**	**216.5**	**200.2**	**78.9**	**77.2**	**198.5**
Writedowns/impairment	(2.0)	—	(0.1)	—	—	(0.1)
Non-recurring items	(5.4)	(6.4)	(7.6)	(7.0)	(2.0)	(2.6)
Operating profit (EBIT)	**185.8**	**210.1**	**192.5**	**71.9**	**75.2**	**195.8**
Net Financial income (expense)	(15.3)	(0.5)	36.6	43.6	(19.2)	(26.2)
Profit (loss) from investments accounted for using the equity method	1.3	2.4	(4.7)	3.1	3.8	(4.0)
Profit before taxes	**171.8**	**212.0**	**224.4**	**118.6**	**59.8**	**165.6**
Taxes			(54.8)	(27.9)	(19.4)	(46.3)
Net profit from continuing operations	**119.4**	**150.8**	**169.6**	**90.7**	**(52.4)**	**(61.2)**
Profit (loss) from discontinued operations/disposal groups	(20.0)	(26.2)	—	—	—	—
Profit for the year	**99.4**	**124.6**	**169.6**	**90.7**	**40.4**	**119.3**
Profit attributable to non-controlling interests	(13.8)	(20.6)	(0.4)	(2.7)	**1.6**	**3.9**
Profit attributable to equity holders of the parent	**85.6**	**104.0**	**169.2**	**88.0**	**42.0**	**123.2**

Revenue by Geographical Area

The following table reflects our Revenue from contracts with customers broken down by geographical area for the years ended December 31, 2017, 2018 and 2019, for the nine months ended September 30, 2019 and 2020 and for the twelve months ended September 30, 2020.

	For the year ended December 31,			For the nine months ended September 30,		For the last twelve months ended September 30,
	2017 RESTATED	2018	2019	2019	2020	2020
	(€ millions)					
European Union (excluding Italy)	400.9	450.0	451.3	287.1	301.1	465.3
Other European countries	107.6	115.0	109.1	71.0	99.6	137.7
North America	225.3	241.1	313.7	199.7	176.7	290.7
Asia & Middle East	290.4	375.7	354.7	213.2	182.5	324.0
Other countries	133.4	150.9	173.9	118.7	101.1	156.3
Total exports	**1,157.6**	**1,332.7**	**1,402.7**	**889.7**	**861.0**	**1,374.0**
Italy	162.6	167.7	192.8	118.6	154.8	229.0
Total	**1,320.2**	**1,500.4**	**1,595.5**	**1.008.3**	**1,015.8**	**1,603.0**

Revenue by Business Segment

The following table shows Revenue from contracts with customers broken down by business segments for the years ended December 31, 2017, 2018 and 2019, for the nine months ended September 30, 2019 and 2020 and for the twelve months ended September 30, 2020.

	For the years ended December 31,			For the nine months ended September 30,		For the last twelve Months ended September 30,
	2017 RESTATED	2018	2019	2019	2020	2020*
			(€ millions)			
Tea, Food & Other	602.5	686.2	804.6	441.1	480.3	782.3
Pharmaceutical	565.9	631.3	699.6	512.9	474.3	722.5
Tobacco Packaging	151.8	182.9	91.3	54.3	61.2	98.2
Total	**1,320.2**	**1,500.4**	**1,595.5**	**1,008.3**	**1,015.8**	**1,603.0**

** Calculated using the restated revenue segment for the year ended December 31, 2019 to present BFB Division among the Pharmaceutical segment, consistently with the presentation for the nine months ended September 30, 2019 and 2020. The table below presents, for comparison purposes only, the effects of the reclassification of BFB Division from Tea, Food & Other segment to Pharmaceutical segment on the revenue segment information for the year ended December 31, 2019.*

	For the year ended December 31, 2019	Effects of reclassification of BFB Division	For the year ended December 31, 2019 RESTATED
Tea, Food & Other	804.6	(61.5)	743.1
Pharmaceutical	699.6	61.5	761.1
Tobacco Packaging	91.3	—	91.3
Total	**1,595.5**	**—**	**1,595.5**

The table above takes into account the effects of the reclassification of BFB Division from Tea, Food & Other segment to Pharmaceutical segment on the Backlog information as of September 30, 2019 and 2020.

Backlog

	As of December 31,			As of September 30,	
	2017	2018	2019	2019	2020
Tea, Food & Other	194.0	326.1	326.3	402.7	318.2
Pharmaceutical	502.4	562.0	528.7	622.6	562.2
Tobacco Packaging	110.4	53.4	54.0	52.0	39.0
Total Order Backlog	**806.8**	**941.5**	**909.0**	**1,077.3**	**919.4**

Consolidated Statement of Financial Position of the Company

	As of December 31,			As of September 30,
	2017	2018	2019	2020
			(€ millions)	
Non-current assets				
Property, plant and equipment	95.1	111.9	100.2	106.7
Right of use assets	—	—	212.8	212.7
Intangible assets	362.2	454.0	874.8	861.5
Investments accounted for using the equity method	40.3	52.9	26.1	30.3
Financial assets	5.0	47.5	49.8	49.3
Receivables from others	3.4	4.1	3.0	3.1
Deferred tax assets	67.9	49.2	58.3	56.8
Total non-current assets	**573.9**	**719.6**	**1,325.0**	**1,320.4**
Current assets				
Inventories	309.7	319.7	344.2	411.1
Trade and other receivables	232.4	257.7	243.9	257.0
Contract assets	156.9	189.5	236.7	220.9
Income tax receivables	9.4	9.8	21.3	7.1
Financial assets	17.9	22.2	18.2	20.2
Derivative financial instruments	0.2	0.4	1.0	0.4
Cash and cash equivalents	206.7	140.9	110.7	164.5
Total current assets	**933.2**	**940.2**	**976.0**	**1,081.2**
Total assets	**1,507.1**	**1,659.8**	**2,301.0**	**2,401.6**
Equity				
Share capital	20.4	20.4	22.5	22.5
Reserves and retained earnings	263.2	272.6	301.8	462.5
Profit for the year	85.6	104.0	169.2	42.0
Equity attributable to equity holders of the parent	**369.2**	**397.0**	**493.5**	**527.0**
Non-controlling interest	21.3	23.9	11.4	9.6
Total equity	**390.5**	**420.9**	**504.9**	**536.6**
Non-current liabilities				
Borrowings	167.5	283.3	521.9	462.7
Lease liabilities	—	—	142.2	138.6
Employee defined benefit liabilities	56.0	34.7	40.6	43.9
Provisions for risks and charges	5.8	4.6	6.3	6.5
Other payables	35.3	74.7	120.6	96.9
Derivative financial instruments	1.9	3.8	5.3	7.3
Deferred tax liabilities	61.5	58.8	108.8	100.2
Total non-current liabilities	**328.0**	**459.9**	**945.7**	**856.1**
Current liabilities				
Borrowings	108.5	106.5	123.3	304.4
Lease liabilities	—	—	21.1	22.8
Trade and other payables	469.7	462.5	527.4	489.0
Contract liabilities	166.0	173.9	135.8	147.7
Income tax liabilities	11.6	7.4	12.9	12.5
Provisions for risks and charges	32.6	27.4	29.8	32.4
Derivative financial instruments	0.2	1.3	0.1	0.1
Total current liabilities	**788.6**	**779.0**	**850.4**	**1,008.9**
Total liabilities	**1,116.6**	**1,238.9**	**1,769.1**	**1,865.0**
Total equity and liabilities	**1,507.1**	**1,659.8**	**2,301.0**	**2,401.6**

Summary Consolidated Statement of Cash Flows Information of the Company

	For the year ended December 31,			For the nine months ended September 30,	
	2017	2018	2019	2019	2020
			(€ millions)		
Cash flow provided by/(used in) operating activities (A)	115.1	120.5	161.5	(8.5)	8.0
Cash flow used in investing activities (B)	(91.5)	(137.1)	(305.6)	(287.2)	(33.6)
Cash flow provided by/ (used in) financing activities (C)	(18.0)	(49.2)	113.9	247.0	79.4
Net change in cash and cash equivalents (D = A+B+C)	**5.6**	**(65.8)**	**(30.2)**	**(48.7)**	**53.8**
Cash and cash equivalents at the beginning of the year (E)	**201.1**	**206.7**	**140.9**	**140.9**	**110.7**
Cash and cash equivalents at the end of the year (F = D+E)	**206.7**	**140.9**	**110.7**	**92.2**	**164.5**

(*) The Group classifies interest and dividends as cash flows from financing activities.

Other Financial Information and Non-IFRS Measures of the Company

The following tables set forth non-IFRS measures and other performance indicators for the years ended December 31, 2017, 2018 and 2019 and for the nine-month and twelve-month periods ended September 30, 2019 and 2020.

	For the year ended December 31,			For the nine months ended September 30,		For the last twelve months ended September 30,
	2017 RESTATED	2018	2019	2019	2020	2020
Industrial gross profit(1)	514.5	572.1	581.2	352.4	364.2	593.0
Industrial gross profit Margin(2)	39.0%	38.1%	36.4%	34.9%	35.9%	37.0%
EBITA(3)	193.2	216.5	200.2	78.9	77.2	198.5
EBITA Margin(4)	14.6%	14.4%	12.5%	7.8%	7.6%	12.4%
EBITDA(5)	218.8	253.6	273.4	126.2	144.6	291.8
EBITDA Margin(6)	16.6%	16.9%	17.1%	12.5%	14.2%	18.2%
Adjusted EBITDA(7)	224.1	260.0	281.0	133.2	146.6	294.4
Adjusted EBITDA Margin(8)	17.0%	17.3%	17.6%	13.2%	14.4%	18.4%
Cash flow generation(9)	187.4	203.0	223.4	94.0	115.7	245.1
Cash conversion rate(10)	83.6%	78.1%	79.5%	70.6%	78.9%	83.3%
Order Intake(11)	1,406.2	1,593.4	1,519.6	1,100.6	1,022.8	1,441.8

(1) Industrial gross profit refers to the difference between Revenue from contracts with customers and Cost of sales. Industrial gross profit represents a measure used by our management to monitor and evaluate our operating performance.

(2) Industrial gross profit Margin is calculated as the ratio between Industrial gross profit and Revenue from contracts with customers. Industrial gross profit Margin represents a measure used by our management to monitor and evaluate our operating performance.

(3) EBITA represents the operating profit before writedowns / impairment / non-recurring items. EBITA represents a measure used by our management to monitor and evaluate our operating performance.

(4) EBITA Margin is calculated as the ratio between EBITA and revenue from contracts with customers. EBITA Margin represents a measure used by our management to monitor and evaluate our operating performance.

(5) EBITDA represents net profit plus taxes, profit and loss from equity investments, net financial income and expense and depreciation and amortization. EBITDA represents a measure used by our management to monitor and evaluate our operating performance.

(6) EBITDA Margin is calculated as the ratio between EBITDA and revenue from contracts with customers. EBITDA Margin represents a measure used by our management to monitor and evaluate our operating performance.

(7) Adjusted EBITDA represents EBITDA plus non-recurring items. Adjusted EBITDA represents a measure used by our management to monitor and evaluate our operating performance.

(8) Adjusted EBITDA Margin is calculated as the ratio between Adjusted EBITDA and revenue from contracts with customers. Adjusted EBITDA represents a measure used by our management to monitor and evaluate our operating performance.

(9) Cash flow generation is calculated as Adjusted EBITDA net of Capex for the years ended December 31, 2017, 2018 and 2019 and for the nine-month periods ended September 30, 2019 and 2020.

(10) Cash conversion rate is calculated as the ratio of Cash flow generation and Adjusted EBITDA.

(11) Order Intake represents the value of orders that are added to our Backlog during a given period and also includes cancellations of work or changes to existing contracts already in our Backlog.

The following table sets forth the Industrial gross profit and the Industrial gross profit Margin, for the years ended December 31, 2017, 2018 and 2019 and for the nine-month and twelve-month periods ended September 30, 2019 and 2020.

	For the year ended December 31,			For the nine months ended September 30,		For the last twelve months ended September 30,
	2017 RESTATED	2018	2019	2019	2020	2020
				€ millions		
Revenue from contracts with customers	1,320.2	1,500.4	1,595.5	1,008.3	1,015.8	1,603.0
Cost of sales	(805.7)	(928.3)	(1,014.3)	(655.9)	(651.6)	(1,010.0)
Industrial gross profit(1)	**514.5**	**572.1**	**581.2**	**352.4**	**364.2**	**593.0**
Industrial gross profit Margin(2)	**39.0%**	**38.1%**	**36.4%**	**34.9%**	**35.9%**	**37.0%**

The following table reconciles the Operating Profit (EBIT) with the Operating profit before writedowns/ impairment / non-recurring items (EBITA), for the years ended December 31, 2017, 2018 and 2019 and for the nine-month and twelve-month periods ended September 30, 2019 and 2020.

	For the year ended December 31,			For the nine months ended September 30,		For the last twelve months ended September 30,
	2017 RESTATED	2018	2019	2019	2020	2020
				€ millions		
Operating profit (EBIT)	**185.8**	**210.1**	**192.5**	**71.9**	**75.2**	**195.8**
Writedowns/impairment	2.0	—	0.1	—	**—**	**0.1**
Non-recurring items	5.4	6.4	7.6	7.0	2.0	2.6
EBITA(3)	**193.2**	**216.5**	**200.2**	**78.9**	**77.2**	**198.5**
EBITA Margin(4)	**14.6%**	**14.4%**	**12.5%**	**7.8%**	**7.6%**	**12.4%**

The following table reconciles the Net profit from Continuing Operations and the EBITDA and the EBITDA Adjusted, for the years ended December 31, 2017, 2018 and 2019 and for the nine-month and twelve-month periods ended September 30, 2019 and 2020.

	For the year ended December 31,			For the nine months ended September 30,		For the last twelve months ended September 30,
	2017 RESTATED	2018	2019	2019	2020	2020
			(€ millions)			
Net Profit from Continuing Operations	119.4	150.8	169.6	90.7	40.4	119.3
Taxes	52.4	61.2	54.8	27.9	19.4	46.3
Profit (Loss) from Investments accounted for using the Equity Method	(1.3)	(2.4)	4.7	(3.1)	(3.8)	4.0
Net financial income (expense)	15.3	0.5	(36.6)	(43.6)	19.2	26.2
Depreciation and amortization	33.0	43.5	80.9	54.3	69.4	96.0
EBITDA(5)	**218.8**	**253.6**	**273.4**	**126.2**	**144.6**	**291.8**
EBITDA Margin(6)	**16.6%**	**16.9%**	**17.1%**	**12.5%**	**14.2%**	**18.2%**
Non-recurring items	5.3	6.4	7.6	7.0	2.0	2.6
Adjusted EBITDA(7)	**224.1**	**260.0**	**281.0**	**133.2**	**146.6**	**294.4**
Adjusted EBITDA Margin(8)	**17.0%**	**17.3%**	**17.6%**	**13.2%**	**14.4%**	**18.4%**

The following table shows our EBITDA as divided per our Business Segments.

	For the years ended December 31,			For the nine months ended September 30,		For the last twelve Months ended September 30,
	2017 RESTATED	2018	2019	2019	2020	2020
			(€ millions)			
Tea, Food & Other	62.1	69.2	121.6	41.3	51.7	132.0
Pharmaceutical	95.0	111.4	125.7	73.7	77.3	129.3
Tobacco Packaging	61.7	73.0	26.1	11.2	15.6	30.5
Total	**218.8**	**253.6**	**273.4**	**126.2**	**144.6**	**291.8**

The following table reconciles Adjusted EBITDA to Pro Forma Adjusted EBITDA for the twelve-month period ended September 30, 2020 for the Company.

	For the last twelve months ended September 30,
	2020
	(€ millions)
Adjusted EBITDA(7)	**294.4**
Pro forma cost saving adjustments(a)	9.9
Pro forma acquisition adjustments(b)	1.0
Pro forma minority adjustments(c)	1.0
Pro forma Adjusted EBITDA(12)	**306.3**

(a) *Pro forma cost saving adjustments related to certain cost savings comprising (i) replacement of the Company's private airplane travels with standard flight tickets (€4.5 million), (ii) substitution of the current long term incentive plan with a Management Incentive Plan linked to exit performance (€3.8 million), (iii) reduction of audit costs and discontinuation of the current board of director costs related to being a listed company (€1.3 million) and (iv) reduction in donations and sponsorships (€0.3 million)*

(b) *Pro forma acquisition adjustments related to adjustments reflecting a full year contribution from recently acquired, giving effect to such acquisitions as if they occurred on January 1, 2020.*

(c) *Pro forma minorities reflective of consistent dividend flow from minorities as a proxy of their EBITDA contribution.*

(12) Pro Forma Adjusted EBITDA represents Adjusted EBITDA plus non-recurring items set out in the table above. Pro Forma Adjusted EBITDA represents a measure used by our management to monitor and evaluate our operating performance. See also "Summary—Current Trading."

The following table sets forth the Cash flow generation and the Cash conversion rate, for the years ended December 31, 2017, 2018 and 2019 and for the nine-month and twelve-month periods ended September 30, 2019 and 2020.

	For the year ended December 31,			For the nine months ended September 30,		For the last twelve months ended September 30,
	2017 RESTATED	2018	2019	2019	2020	2020
			(€ millions)			
Adjusted EBITDA[7] (A)	224.1(**)	260.0	281.0	133.2	146.6	294.4
Capex (*) (B)	(36.7)	(57.0)	(57.6)	(39.2)	(30.9)	(49.3)
Cash flow generation[9] (C)	**187.4(**)**	**203.0**	**223.4**	**94.0**	**115.7**	**245.1**
Cash conversion rate[10] (C) / (A)	83.6%	78.1%	79.5%	70.6%	78.9%	83.3%

(*) Capex is defined as the sum of additions, sales and eliminations, write-downs / impairments with refer to Property, plant and equipment and Intangible assets.

(**) Not restated amount of Adjusted EBITDA for the year ended December 31, 2017 is equal to €220.5 million. Not restated amount of Cash flow generation is equal to €183.8 million.

The following tables set forth non-IFRS measures and other performance indicators as of December 31, 2017, 2018 and 2019 and as of September 30, 2020.

	As of December 31,			As of September 30,
	2017	2018	2019	2020
			(€ millions)	
Net financial debt[13]	50.0	184.6	637.1	700.9
Net working capital[14]	26.8	99.1	143.0	211.8

See also "*Summary—Current Trading*."

(13) *Net financial debt has been calculated in accordance with ESMA Recommendation No. 319 of March 20, 2013, even though we included financial receivables classified as non-current financial assets. The Group also has payables for acquisitions relating to the options agreed for the purchase of the minority interests in subsidiaries totaling €103.0 million as of September 30, 2020, €113.9 million as of December 31, 2019, €65.9 million as of December 31, 2018 and €36.5 million as of December 31, 2017.*

(14) *Net working capital is calculated as the sum of the trade receivables, inventories, trade payables and other net.*

The following table sets forth the components of net financial debt as of December 31, 2017, 2018 and 2019 and as of September 30, 2020.

	As of December 31,			As of September 30,
	2017	2018	2019	2020
			(€ millions)	
A. Cash and cash equivalents	(206.7)	(140.9)	(110.7)	(164.5)
B. Other cash equivalents	(4.8)	(5.0)	(4.0)	(2.6)
C. Investments in securities	(6.6)	(8.0)	(11.7)	(14.5)
D. Liquidity (A)+(B)+(C)	**(218.1)**	**(153.9)**	**(126.4)**	**(181.6)**
E. Current financial receivables	**(6.6)**	**(9.1)**	**(2.5)**	**(3.1)**
F. Current payables to banks	50.6	79.2	81.8	227.7
G. Current portion of non-current payables	57.2	27.0	61.5	99.2
H. Other current financial payables	0.7	0.3	1.1	0.3
I. Current financial debt (F)+(G)+(H)	**108.5**	**106.5**	**144.4**	**327.2**
J. Net current financial debt (D)+(E)+(I)	**(116.2)**	**(56.5)**	**15.5**	**142.5**
K. Non-current portion of non-current bank payables	60.5	176.6	376.7	362.5
L. Bonds issued	105.5	100.3	145.0	100.0
M. Other non-current financial payables	1.5	6.4	142.4	138.8
N. Non-current financial assets (*)	(1.3)	(42.2)	(42.5)	(42.9)
O. Net non-current financial debt (K)+(L)+(M)+(N)	**166.2**	**241.1**	**621.6**	**558.4**
P. Net financial debt (J)+(O)	**50.0**	**184.6**	**637.1**	**700.9**

(*) Non-current financial assets are calculated as Non-current financial assets net of Financial assets measured at FVOCI and Financial assets measured at FVPL.

The following table sets forth the composition of net working capital as of December 31, 2017, 2018 and 2019 and as of September 30, 2020.

	As of December 31,			As of September 30,
	2017	2018	2019	2020
			(€ millions)	
Trade receivables(a)	325.2	384.0	419.6	415.7
Inventories	309.7	319.7	344.2	411.1
Trade payables(b)	(502.6)	(514.7)	(520.5)	(479.2)
Other net(c)	(105.5)	(90.0)	(100.3)	(135.8)
Net working capital	**26.8**	**99.0**	**143.0**	**211.8**

(a) Trade receivables is defined as the sum of trade receivables and contract assets.

(b) Trade payables is defined as the sum of advances to suppliers, trade payables and contract liabilities.

(c) Other net is defined as the sum of income tax receivables, income tax liabilities, provisions for risks and charges non-current and current, tax receivables, deferred costs, other receivables, social security and defined-contribution plan payables, tax payables, due to employees, deposits and other payables.

Summary Balance Sheet Information of the Issuer

	As of September 30, 2020
	(€ thousands)
Assets	
Non-current assets	
Investments	50.0
Deferred tax assets	1.5
Total non-current assets	51.5
Current assets	
Cash and cash equivalents	14.9
Total current assets	14.9
Total assets	**66.4**
Equity and liabilities	
Equity	
Share capital	50.0
Reserves	12.9
Loss of the period from inception to September 30, 2020	(2.4)
Equity attributable to owners of the Company	**60.5**
Total equity	**60.5**
Trade and other payables	5.9
Current liabilities	**5.9**
Total liabilities	**5.9**
Total equity and liabilities	**66.4**

Pro Forma and Other Financial Information of the Company and the Issuer pro forma for the Transactions and assuming 100% purchase of all Outstanding Company Shares

	As of September 30, 2020 and for the last twelve months then ended
	(In millions of Euro, except for ratios)
Issuer total cash and cash equivalents(1)(5)	55.1
Issuer Total debt (excluding lease liabilities)(2)(5)	1,280.0
Issuer Net debt (excluding lease liabilities)(3)(5)	1,224.9
Lease liabilities	161.4
Issuer Net debt (including lease liabilities)(5)	1,386.3
Issuer Total debt (excluding lease liabilities) cash interest expense(4)(5)	49.1
Pro Forma Adjusted EBITDA(4)(5)	306.3
Ratio of Issuer Net debt (excluding lease liabilities) to Pro Forma Adjusted EBITDA(2)(4)(5)	4.00x
Ratio of Issuer Net debt (including lease liabilities) to Pro Forma Adjusted EBITDA(4)(5)	4.53x
Ratio of Pro Forma Adjusted EBITDA to Issuer Total debt (excluding lease liabilities) cash interest expense(2)(4)(5)	6.24x

(1) *Issuer total cash and cash equivalents means Issuer cash and cash equivalents after giving pro forma to the Transactions. The cash and cash equivalents on the balance sheet that will be available following the Transactions is subject to significant uncertainty, and may vary depending on various factors, including operations following September 30, 2020. See "Summary—Current Trading" and "Capitalization."*

(2) *Issuer Total debt excluding lease liabilities means the Notes offered hereby and assuming a full refinancing of all other existing Company debt after giving pro forma to the Transactions other than lease liabilities of €161.4 million. See "Use of Proceeds" and "Capitalization."*

(3) *Issuer Net debt (excluding lease liabilities) means Issuer Total debt (excluding lease liabilities) minus Issuer total cash and cash equivalents.*

(4) *See reconciliation of Pro Forma Adjusted EBITDA above. Also see "Summary-Current Trading."*

(5) *If we do not acquire 100% of tile Outstanding Company Shares as part of tile Transactions, such numbers may vary. See "Risk Factors-Risks Related to the Presentation of Financial Information-The Offering Memorandum presents pro forma and other financial information of the Company and the Issuer pro forma for the Transactions and assuming 100% purchase of all Company shares whereas the Issuer may not acquire 100% of the Company shares."*

RISK FACTORS

An investment in the Notes subject to a number of risks. You should consider carefully all the risks described below and the other information in this Offering Memorandum before deciding to invest in the Notes. The actual occurrence of any of the events or circumstances described below could have a material adverse effect on our business, results of operations or financial condition, and, accordingly, the value and trading price of the Notes may decline, resulting in a loss of all or part of your investment in the Notes. Furthermore, the risks and uncertainties described may not be the only ones we may face. Additional risks and uncertainties not presently known to us, or that we currently consider immaterial, may also impair our business operations and could have, in turn, a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

This Offering involves a high degree of risk. You should carefully consider the risks described below as well as other information and data contained in this Offering Memorandum before making an investment decision. If any of the events described in the risk factors below occur, our business, financial condition and results of operations could be materially and adversely affected, which in turn could adversely affect our ability to repay the Notes. Prospective investors should note that the risks described below may not be the only risks we face. We have described only those risks that we currently consider to be material and there may be additional risks and uncertainties not presently known to us, or that we currently consider immaterial, that might also have a material adverse effect on our business, financial condition or results of operations. In any such case, you may lose all or part of your investment in the Notes. Unless indicated otherwise, when we refer to "we", "us", "our" or the "Group" for the purposes of this section, we are referring to the business of the Company and its subsidiaries and not the Issuer.

The Issuer is a holding company formed for the purpose of facilitating the Transactions and is not expected to engage in any activities other than those related to its formation and the Transactions. The Issuer's only material assets and liabilities are currently, and are expected in the future to be, its interest in the issued and outstanding shares of its subsidiaries and its outstanding indebtedness and inter-company balances incurred in connection with the Transactions (including approximately 66.82% ownership of Outstanding Company Shares) and the other transactions described in this Offering Memorandum. Accordingly, the risks described below are those of the Group.

This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Offering Memorandum.

Risk Factors Related to our Business and Industry

We face significant competition and may not be able to maintain or expand our current market position.

The markets in which we operate are highly competitive and subject to rapid changes. We believe that the principal competitive factors in these markets are service quality, technical and industry expertise, established relationships with key customers (often on a local level), knowledge of the regulatory framework, and fast customer service. The success of our business depends, in part, on our ability to maintain and increase our market share in the face of competition. We anticipate that we will continue to face threats from our existing competitors, which could decide to consolidate their positions through mergers, joint ventures or other forms of commercial agreements. As a result, we may face competition from groups who benefit from greater economies of scale or have greater financial, marketing, technological or other resources, know-how, size and assembly capacity, larger customer bases and better-established reputations and customer relationships in our markets than we do, as well as a worldwide presence that is more extended and diversified than our own. Such groups may be able to, among other things, more efficiently or more rapidly develop superior services or solutions, gain greater market acceptance and expand their service offerings, adopt more aggressive pricing policies, more quickly adapt to new or emerging technologies and changes in customer requirements and devote greater resources to the research and development of their services and solutions.

Established or new competitors may further develop their current products and technologies or create alternative ones that are more appealing, due to price, quality or other factors, than our products. As a result, we may not be able to supply customers with services that they deem superior at competitive prices and we may lose market share to our competitors. Any of these developments could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

We could be unsuccessful in adequately protecting our intellectual property, technological know-how and trademarks and there is a risk that we might infringe or be accused of infringing the intellectual property rights of others.

Our products are highly dependent upon our technological know-how. As of December 31, 2019, we held over 1,700 patents and we continue to invest significantly in research and development activities. The process of seeking patent protection can be lengthy and expensive. In principle, we monitor and seek to protect to the fullest extent our ownership of inventions that result from our research and development department, but we may not always be successful in claiming and defending the ownership of our intellectual property.

Furthermore, patents may not be granted on currently pending or future applications or may not be of sufficient scope or strength to provide us with meaningful protection or commercial advantage. For example, certain items cannot be protected at all which are integral to our breakthroughs, such as trade secrets. Trade secrets and know-how that cannot effectively be safeguarded through patent registration, as well as other unpatented proprietary know-how, might be disclosed to third parties. Additionally, our proprietary software constitutes significant intellectual property which is not disclosed and typically not secured by patents. As a result, a part of our know-how is not patented and is not protected through intellectual property rights.

While there is a presumption that patents that are granted are valid, the granting of a patent does not necessarily imply that it is effective or that possible patent claims can be enforced to the degree necessary or desired. In particular, intellectual property rights are difficult to enforce in Asia and other regions, since the application and enforcement of laws governing such rights in these regions may adhere to different standards than in Italy. And even when they are protective, enforcing our rights under patents in the courts can be time consuming and costly, or we may be unable to detect the misappropriation immediately.

If a patent does not provide meaningful protection or we are unable to detect misuse of our know-how, either because it is invalid or ineffective, there is the risk that competitors may copy our know-how without incurring any expenses of their own through the misappropriation by employees, contractors or third parties. In addition, some of our patented innovations might be subject to claims against their registration. Public disclosure may be required as part of these claims, which may enable competitors to apply for corresponding patents in jurisdictions abroad and/or use our know-how to develop competing machinery.

Furthermore, we rely to a limited extent on trademarks in order to protect our brands. There can be no guarantee that we will be able to protect our trademarks in the future. If our trademarks cannot be adequately protected, this could hinder or completely eradicate our market reputation, significantly impairing our competitiveness.

In the future, we may rely on licenses granted by third parties, which may expire, be declared invalid or be terminated for reasons beyond our control and then be granted to competitors. If we are unable to substitute such licenses, we might have to either terminate the operations affected by the licenses or invest significant financial resources in other business areas to off-set these losses.

The markets in which we operate are characterized by regular claims and related litigation regarding patents, copyrights and other intellectual property rights. Since our competitors, suppliers and customers also submit a large number of inventions for intellectual property protection, we cannot rule out that other parties may have effective and enforceable intellectual property rights with respect to some of our processes, methods or applications. Thus, there is a potential risk that we could infringe the intellectual property rights of other parties. Accordingly, other parties could assert infringements of intellectual property rights, including illegitimate ones, against us. Successful claims of infringement, misuse or misappropriation by another party against us, could prevent us from manufacturing, using or marketing certain technologies or products in certain countries or require us to pay licensing costs, make changes to manufacturing processes and/or products, or litigate the scope or validity of patents in order to be permitted to sell our products. In addition, we could be liable to pay fines or compensation for infringements or could be forced to purchase licenses to make use of technology from other parties. Any such outcomes, or the expenditure of time and resources to defend against such outcomes, could impair our ability to innovate, develop, distribute and sell our current and planned products and services, which could materially impact our operations. In addition, even claims of infringement, misuse or misappropriation that ultimately are unsuccessful could cause reputational harm, result in litigation costs and divert management's time and other resources.

Any of these developments could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

Investments made in the research and development may not achieve the expected results.

Our competitive positioning depends on the continuous investment in research and development and improvement of our technical know-how. In the years ended December 31, 2017, 2018 and 2019 and the twelve months ended September 30, 2020, we incurred research and development expenses of €54.0 million, €55.3 million, €53.9 million and €58.7 million, respectively. As a result, future results of operations depend, to a significant extent, on our ability to incorporate this research and development into the products and services we offer. If we are unable to achieve the anticipated benefits of such research and development for any reason, including increased competition, technology becoming obsolete or lack of acceptance of new products in our target markets, it could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

Loss of, limited use of, or relocation of one or more of our key manufacturing facilities could have an adverse effect on our business, financial condition and results of operations.

A loss of the use, either full or partial, of any of our key manufacturing facilities for any duration of time due to an accident, labor issues, weather conditions, natural disasters, terrorism, cyberattacks, forced sales, pandemics (such as the Covid-19 pandemic) and other health crises, issues with energy supplies, delays in obtaining replacement equipment or otherwise may have a material adverse effect on our business, financial condition and results of operations. Although we believe we have appropriate insurance coverage in relation to material damage to property and the interruption of manufacturing resulting from natural or accidental events, amongst others, there is no guarantee that such coverage will be sufficient to compensate for damage and costs incurred by us.

Additionally, we occasionally relocate manufacturing production and close down facilities or move parts of those facilities to other sites for production efficiency and other reasons. If we are unable to manage such closures and relocations efficiently or effectively, it could lead to disruption in our production capacities and hinder our ability to meet customer needs.

Any of these developments could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

The Covid-19 pandemic could have a material adverse effect on the global economy and our customers, and, in turn, our business results.

Covid-19, identified in China in late 2019, spread rapidly throughout the world, impacting Asia, Europe, the Middle East and North and South America. On March 11, 2020, the World Health Organization confirmed that its spread and severity had escalated to the point that it was deemed a pandemic. The outbreak of Covid-19 has resulted in authorities, including those in the countries in which we operate, implementing numerous measures to try to contain the virus, such as travel bans and restrictions, curfews, lockdowns, quarantines and shutdowns of businesses and workplaces. This has resulted in materially increased volatility and declines in financial markets and significant worsening of the global macroeconomic outlook. See "—*Current economic and financial conditions could negatively impact the demand for our products and services*."

The spread of Covid-19 has resulted in a slowdown in manufacturing activity globally in the markets in which we operate due to severe disruptions to supply chain operations and a decline in overall customer demand. This has led us to modify our operational practices required by authorities or that we determine are in the best interests of our employees, customers and other stakeholders. There is no certainty that such measures will be sufficient to mitigate the risks posed by the Covid-19 pandemic and the implementation of such measures (or their insufficiency) could harm our ability to perform some of our critical functions and serve our customers. As a result of the Covid-19 pandemic or other similar pandemics or adverse public health developments, our operations and those of our subcontractors, customers and suppliers, may experience delays, disruptions and other adverse effects, such as difficulties obtaining components, suspension or reduction of operations, declines in sales activities and orders, difficulties in travel and communications, and regulatory restrictions.

The pandemic and related countermeasures have affected and continue to affect some of our customers adversely. In some cases, this may be material which could, in turn, have an adverse impact on us (for example, through deteriorations in credit quality and higher impairments). Moreover, the ability of our customers to serve their contractual obligations may also be materially affected due to liquidity constraints or other financial difficulties. In the jurisdictions in which we operate, schemes have been initiated by national governments to provide financial support to parts of the economy most impacted by the Covid-19 outbreak. The actual impact on our customers and, therefore, the impact on us remain uncertain at this stage.

The full economic impact of Covid-19 is outside of our control and will depend on the spread of the virus and the response of the local authorities and the global community. The degree to which Covid-19 impacts our results of operations, liquidity, access to funding and financial position will depend on future developments, which are highly uncertain and cannot be predicted. These developments may include, but are not limited to, the duration and spread of Covid-19, its severity, actions taken to contain the virus or treat its impact, the extent and effectiveness of economic stimulus taken to contain the virus or treat its impact and how quickly, to what extent normal economic and business activity can resume and the possibility of an additional or extended lockdown. Moreover, even after the outbreak of the Covid-19 pandemic has subsided, we may continue to face material adverse effects on our business as a result of its global economic impact, including the depth and duration of any recession or increases in unemployment levels that have occurred or may occur in the future. Any future pandemics or health crises may also have similar, or even more severe, effects on global economic activity and on our business, results of operations, or financial conditions. See "—*Current economic and financial conditions could negatively impact the demand for our products and services*."

Any of these developments could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

Current economic and financial conditions could negatively impact the demand for our products and services.

Our presence and operations in various international markets exposes us to risks connected, among other things, with both international geo-political and macroeconomic conditions. We are further exposed to the geo-political and macroeconomic conditions of the individual countries in which we operate, as well as any potential variations and changes in their regulatory, monetary, fiscal, and tax regimes.

In part, our financial results depend on global economic conditions, specifically in the European Union, the United States, South America, and Asia. A prolonged global recession or a recession in any of these regions, in which we operate, could materially and negatively influence the demand for our products. In addition, slower than expected economic growth in the countries in which we operate may negatively influence our ability to meet our business forecasts.

In addition to the global macroeconomic risks highlighted above, we are exposed to the macroeconomic risks in each of the countries in which we produce and sell our products and services. Given the international nature of our activities, we face risks stemming from potential changes in legislation as well as the political and social situations in each of the countries in which we carry out our activities. The possibility of restrictions on the distribution of products or the introduction of customs and general duties may affect, perhaps significantly, our ability to offer our products at economically competitive levels in the countries in which we currently operate or may decide to operate in the future. This risk has increased in recent years as nations in which we operate have disagreed on trade policy, engaging in threats, adverse actions, and retaliatory measures that destabilize business and trade. In some instances, tariffs have been placed on our products.

In 2020, following the global spread of Covid-19, the governmental authorities of many countries, including the Italian government, adopted restrictive measures to contain the further spread of the pandemic. Although governmental authorities in most of the countries in which we operate have loosened restrictions in recent months, many restrictions have remained in place and a significant number of these governmental authorities have reimposed restrictions in response to an increasing number of Covid-19 cases. It is not possible to predict the end of the pandemic or how long the restrictions may remain in place as a precaution even once the pandemic has ended. Therefore, it is not possible to predict the further negative effects that the continuation of the pandemic, or the spread of any similar disease, will have on financial markets and economic activities at a domestic and global level.

Any of these developments could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness. See "*—The Covid-19 pandemic could have a material adverse effect on the global economy and our customers, and, in turn, our business results*."

We may not be able to implement our business strategies or expand into international growth markets and manage future growth effectively.

We have global operations and we plan to further strengthen our global presence by expanding our existing operations internationally, including in China and other Asian markets. The overall economic climate in the markets, in which we plan to expand, is subject to periods of volatility and the markets could develop slower than we expect. In addition, some Asian markets are characterized by lower levels of political, legal and economic stability compared to countries in Western Europe, where we have historically concentrated our activities. Furthermore, we may be less familiar than our major competitors with the non-European markets where we intend to expand our operations, putting us at a competitive disadvantage. We may not be familiar with the cultural traditions and customs of some of the markets in which we are investing, and our relative lack of experience with the legal framework along with the lack of political or economic influence in those countries could mean that our further expansion cannot be pursued on our desired terms or at all.

Additionally, we are subject to further risks resulting from unforeseeable developments in a variety of jurisdictions. These risks include, among other things:

- political instability;
- armed conflicts in the regions in which we operate or serve our customers;
- acts of terrorism and military actions in response to such acts;
- unexpected changes in regulatory environments and government interference in the economy;
- foreign currency exchange controls and restrictions on repatriation of funds;
- inability to collect payments or seek recourse under or comply with ambiguous or vague commercial or other laws;
- differing permitting and licensing regimes, which may make it difficult to ensure we maintain all appropriate permits and licenses in every country where we operate;
- insufficient protection against product piracy and other violations of our intellectual property rights;
- the effect of a data breach or significant disruption in our operations as a result of unauthorized access to our information technology networks, such as cyber-attacks; and
- difficulties in attracting and retaining qualified management and employees, or further rationalizing our workforce.

Should our further expansion into international growth markets not be successful or not as successful as planned, or should we not be able to manage our growth effectively, any related investments might not result in the desired growth in revenue and profits. Any of these developments could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

We may face disruptions in our supply chain.

We depend on our supply chain for components, and our suppliers' inability to deliver components and services necessary for our business at the optimal prices or delivery times or at all, could affect our ability to meet the demands of our customers or to operate our business at desired production levels. Moreover, the costs of these components and services are subject to price fluctuations and other factors beyond our control, and we may not be able to pass price increases on to our customers.

Our assembling process depends on the availability and timely supply of components and semi-finished goods that we normally purchase through our purchasing network. The purchasing network consists of a limited number of suppliers with which we have established relationships. There is a risk that we may experience production downtime if one or more suppliers are unable to fulfil delivery obligations. This is especially true if the supplier supplies specialized parts for a custom-built product.

The costs and the delivery time of components vary depending on capacity utilization rates of our suppliers, quantities demanded from our suppliers, product technology, and product specification. As a result, the costs of our components can vary materially in the short-term and increase significantly, due to supply shortages or variations in the costs of the raw materials required to make such parts. As raw material costs and freight costs comprise a portion of our costs, the cyclical nature of commodity pricing and freight costs presents a potential risk to our margins. Although we will attempt to pass on cost increases to our customers with higher sales prices, we may not be able to do so in the future. Any price increases we cannot fully pass on to our customers may materially reduce our profitability.

Although we seek to maintain relationships with a deep and diverse group of suppliers, we may need to rely on a single supplier for customized components for our products and we might not be able to find an alternative supplier on the market. Any failure to obtain components or other materials or any delay affecting our supply chain could compromise our ability to meet our customers' needs or to operate at our current production levels. See "*—Loss of, limited use of, or relocation of one or more of our key manufacturing facilities could have an adverse effect on our business, financial condition and results of operations*."

Should our supply chain management not be successful or not as successful as planned, or should we not be able to manage our supply chain effectively, any related investments might not result in the desired growth in revenue and profits. Any of these developments could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

We may not be able to maintain the same level of growth experienced in recent years.

We have recorded significant growth in recent years with a compound annual growth rate of 13.3% and 16.3% in the period from 2014 to 2019 in terms of revenue and adjusted EBITDA, respectively. Although we can attribute part our total revenue growth to organic growth, we have benefitted from several successful acquisitions that have allowed us to capture synergies and diversify and complete our portfolio of products and services and the regions in which we offer them. We may face challenges in identifying and acquiring businesses and assets that will similarly improve our business. See "*—We may not be able to realize anticipated operational efficiencies and cost savings in connection with past and future acquisitions and it may be difficult to manage and integrate a continually growing group*." Additionally, we may face increased competition if our competitors decide to enter the niche markets in which we operate, which could reduce our competitive and technological advantage. See "*—We face existing and potential competition and may not be able to maintain or expand our current market position.*"

Any of these developments could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

Unfavorable fluctuations in foreign currency exchange rates may adversely affect our business, financial condition and results of operations.

Our exposure to exchange risk is primarily due to the geographic distribution of production and sales, which results in exports denominated in currencies different from those of production. In particular, we are primarily exposed to exchange risk for exports from the Euro area to regions that use the U.S. dollar. Although a majority of our activities are conducted in Euros, we have significant non-Euro denominated assets, liabilities, revenue and costs. For the year ended December 31, 2019, 14.4% of our trade receivables were in U.S. dollars and we had trade receivables in Swiss francs, Indian rupees, British pound sterling, Chinese renminbi, and other currencies. In recent years, these currencies have experienced considerable volatility against the Euro. To prepare our consolidated financial statements, we must translate our assets, liabilities, revenue and expenses into Euro at exchange rates in effect during or at the end of each reporting period, as applicable. Consequently, increases and decreases in the value of the Euro against these other currencies will affect the amounts attributed to these items in our consolidated financial statements, even if their value has not changed in their original currency. These translations could result in changes to our results of operations from period to period. Given our presence and increasing focus in non-Eurozone markets, this risk may increase over time.

In addition, to the extent that we incur expenses that are not denominated in the same currency as related revenue, exchange rate fluctuations could cause our expenses to increase as a percentage of revenue, affecting our profitability. We attempt to limit exchange risk by engaging in currency hedging. Such attempts to limit risk to exchange rate fluctuations and involve costs and risks of their own, such as ongoing management time and expertise, external costs to implement the strategies and potential accounting implications. Moreover, foreign governments may restrict or impose withholding tax on transfers of cash out of the applicable country and may also control exchange rates. Any of these developments could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

Our operating and financial performance is largely dependent on our ability to retain and attract key personnel as well as a specialized labor force.

Our success depends, in part, on the continued involvement of the current top management and other key managers, as well as on our ability to retain and recruit trained personnel, such as engineers and highly specialized technicians. The current management team, led by our CEO, Alberto Vacchi, has overseen the rapid growth of our business, successfully implemented our business plan, and helped make us a market leader.

While we seek to retain employees, particularly top management and key personnel, there can be no guarantee that we will be able to retain our management team or our current personnel.

Loss of one or more of our managers or of a significant number of specialized and highly trained personnel could have a material adverse effect could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

The competition for highly trained managers and specialized labor force, including engineers and highly specialized technicians, is intense and demand is often hard to meet. Also, the growth of our business may require us to seek additional managers and highly trained personnel, who may be difficult to identify and hire on terms favorable to us. Therefore, we cannot guarantee that we will be able to attract skilled and motivated employees.

Any of these developments could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

Changes in the markets we serve could affect our financial results.

The markets that we serve, including the food and beverage sector, are rapidly and constantly evolving because of, among other things, changes in consumer preferences, shifting consumer tastes and needs, changes in consumer lifestyles, and competitive product and pricing pressures in both emerging and developing markets. Changes in customer and consumer preferences, which vary region by region, including the relative demand for environmental sustainability, technological advancements, quality, variety, price point, and lifestyle promoted by our customers' product offerings, affect both the demand for new products and the volume of product sales therefrom. For example, consumer demand patterns are affected by an increasing sensitivity to environmental sustainability, including preferences against single-use disposable features, which may require us to make changes to our existing products. Furthermore, consumers may not necessarily have the same expectations and preferences across the markets where we currently operate, and adjustments for regional differences present additional challenges. Any significant changes in consumer preferences or any inability on the part of our customers to anticipate or react to such changes could result in reduced demand for our products. The risks associated with changes in the markets we serve have increased due to the Covid-19 pandemic, which has forced consumers to change their lifestyles. It is unknown whether these changes in lifestyle as a response to the Covid-19 pandemic will be short-term or permanent. This uncertainty about the trends in consumer preferences may affect our customers' decisions with respect to acquiring our products and services. See "*—The Covid-19 pandemic could have a material adverse effect on the global economy and our customers, and, in turn, our business results*."

Any of these developments could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

We have made and may make acquisitions or enter into transactions that may present risks, and we may not realize the financial and strategic goals that were contemplated at the time of any transaction and, additionally, there are risks associated with the integration of any acquisitions.

Part of our strategy has been and will continue to be growing our business through acquisitions. We have made notable acquisitions since the 1970s, and, in the last decade, we have completed several notable acquisitions, including the acquisitions of GIMA S.p.A. in 2010, Sympak Corazza Group in 2011, Tissue Machinery Company in 2018 and ATOP in 2019. Once we complete an acquisition, we may seek to harness certain operational synergies and cost savings premised upon, among other things, economies of scale, rationalization of headquarters functions, consolidation of manufacturing sites and rationalization of supply chains. However, we may not be able to realize any of the foregoing synergies either in the amount or within the timeframe that we may anticipate, and the costs of achieving any such synergies may be higher than what we expect. Our ability to realize such operational efficiency and cost saving measures may be affected by a number of factors, including increases in expenses related to the relevant acquisition(s), which may offset the cost savings therefrom. Moreover, successful integration and the realization of synergies require, among other things, proper coordination of business development and marketing efforts, retention of key members of management, policies for effective recruitment and training as well as the ability to adapt information and computer systems.

Any future acquisition, especially any future material acquisition, could require us to make significant investments or increase our debt. If acquisitions are made, there can be no assurance that we will be able to maintain the customer base of the businesses that we acquire, generate expected margins or cash flows, or realize the anticipated benefits of such acquisitions, including growth and expected synergies. Although we analyze acquisition targets, such assessments are subject to a number of assumptions concerning profitability, growth, interest rates and company valuations. There can be no assurance that our assessments of, and assumptions regarding, acquisition targets will prove to be correct, and actual developments may differ significantly from our expectations. In most cases, acquisitions involve the integration of a separate business which was previously operated independently, and under different systems and protocols. It is possible that we may not be able to integrate acquisitions successfully into our business or that such integration may require more investments than we had expected, or that we may incur unknown or unanticipated liabilities with respect to customers, employees, suppliers or other parties relating to the acquisition. The process of integrating businesses may be disruptive to our operations and may cause an interruption of, or a loss of momentum in, such businesses, or a decrease in our operating results as a result of difficulties or risks, including:

- unforeseen legal, regulatory, contractual and other issues;
- the loss of key customers or employees;

- difficulty in consolidating facilities and infrastructure;
- difficulty in realizing operating synergies;
- failure to maintain the quality or timeliness of services that we have historically provided;
- failure to maintain uniform standards, controls, procedures and policies;
- added costs of dealing with the foregoing disruptions and difficulties;
- unforeseen challenges arising from operating in new geographic areas; and
- diversion of management's attention from day-to-day business as a result of the need to deal with the foregoing disruptions and difficulties.

Furthermore, we operate and acquire businesses in different countries, with different regulatory and operating cultures, which may exacerbate the risks described above, and if we decide to acquire a business in a geographical area where we do not yet operate, such risks could be even more significant in respect of such an acquisition. Any difficulties encountered in combining operations could result in higher integration costs and lower savings or revenues than expected. If we are unable to implement our acquisition strategy or integrate acquired business successfully, our business, financial condition and results of operations or our ability to service or otherwise make payments on the Notes and our other indebtedness could be materially adversely affected. See "—*We may not be able to implement our business strategies or expand into international growth markets and manage future growth effectively.*"

We may become responsible for unexpected liabilities that we failed or were unable to discover in the course of performing due diligence in connection with historical acquisitions and any future acquisitions. We have typically required the sellers in past acquisitions to indemnify us against certain undisclosed liabilities; however, we cannot guarantee that the indemnification rights we have obtained, or will in the future obtain, will be enforceable, collectible or sufficient in amount, scope or duration to fully offset the possible liabilities associated with the business or property acquired. Any of these liabilities, individually or in the aggregate, could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness. Certain contracts of the businesses acquired by us contain "change of control" provisions that require the acquired company to notify the counterparty of a potential change of control, or contain language that could be interpreted as allowing, subject to certain conditions, the counterparty to terminate the contract. Although the agreements governing certain of our acquisitions require the target to use commercially reasonable endeavors to obtain consents or waivers relating to such "change of control" provisions prior to closing of the acquisitions, such consents and waivers are generally not a condition to closing. If a substantial number of these contracts have been, are or will be terminated as a result of our acquisition, we may be forced to enter into new contracts on less favorable terms, or we may be unable to secure replacements. While we strive to mitigate unexpected liabilities and risks through contractual protections in our acquisition documentation, we cannot ensure that such protections will be effective. In addition, if we enter into an acquisition agreement but the acquisition is not consummated, we may be liable for break-up fees or other payments, which may, in some cases, be material and could, in turn, have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

From time to time, we may dispose of businesses or assets that we determined were not core to our operations or otherwise decided to sell. Sellers in such transactions are generally required to indemnify the purchasers of businesses for various liabilities, and these indemnification obligations may be significant. Any such obligations to the purchasers of the businesses we sell, and any litigation regarding these obligations, may be costly and have a material adverse effect on our business. Any of these developments could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

Impairment of goodwill and other intangible assets may adversely affect our results of operations

As a consequence of our acquisition strategy, we regularly recognize significant amounts of intangible assets and goodwill on our balance sheet. As of September 30, 2020, we had intangible assets of

€861.5 million, including goodwill of €483.4 million. Intangible assets are initially measured at purchase or production cost. Goodwill is the excess of the cost of a business combination over our share of the net fair value of those purchased assets, liabilities and contingent liabilities that can be identified individually and recognized separately. Goodwill is an intangible asset with an indefinite useful life. Intangible assets other than goodwill, or with a finite useful life, are amortized on a straight-line basis over their useful life. At the end of each financial year, and every interim accounting period, where there is any indication that an intangible asset may be impaired, its recoverable amount is calculated pursuant to impairment tests. Since the Covid-19 pandemic constitutes an external factor of potential presumption of impairment (i.e. an impairment indicator), the sustainability of the impairment tests is being assessed also at interim dates. We recognize the difference between the carrying amount and the recoverable amount as impairment loss in the income statement. The amount of impairment losses that we are required to recognize in the future may be significant, particularly in the event of material acquisitions or products that perform below our expectations.

There is significant judgement required in the analysis of a potential impairment of goodwill and other intangible assets. The future development of the macroeconomic environment, of the COVID-19 pandemic, unsuccessful acquisitions or other factors could lead to possibly significant impairments to be recognized in the future, which could have a material adverse effect on our business. Any of these developments could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

We may not be able to expand our assembly capacity and, therefore, not keep pace with our customers' expectations.

We have experienced increased revenues across our segments and across the geographic regions in which we operate. Some of those regions, including Asia, have grown rapidly in recent years. As our customers' demands increase, we may need to make investments to expand our assembly capacity and service capabilities. Our ability to accurately predict where to expand our capacity and capabilities, in terms of both segments and geographic locations, is limited as market trends are an imperfect guide to future needs. Accordingly, any expansion plans we implement may be aimed at the wrong segments or geographic locations or, if they are appropriately aimed, are not sufficient to meet the actual future demands.

Should we experience any difficulty in expanding our production capacity and service capabilities when needed or fail to effectively manage the expansion, it could have a material adverse effect on our business. Any of these developments could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

Product defects may result in loss of revenue and/or reputational harm that could affect our earnings and, due to our warranties to customers, result in increased costs.

We produce a wide range of products, including products that are specially designed to meet customer demands. Our products may not operate properly or may have defects. If one of our customers discovers any defect, nonconformity or failure of our machines, or packaging lines at any time and notifies us thereof, we may be required to promptly correct such defect, nonconformity or failure by re-designing, repairing, modifying or replacing the product. Depending on the circumstances, we may be required to bear some, or all of the costs associated with such redesign, repair, modification, or replacement. Such costs may be significant. In addition, we may not be able to recover costs from our suppliers associated with repairing, modifying or replacing such machines or packaging lines, even if our suppliers are responsible for such defect, nonconformity or failure. Finally, we may be liable, in full or in part, for any damage to property or persons caused by the products that we produce.

The risk of such defects may increase as we experiment with new technology in order to develop more sophisticated product or machinery designs tailored to consumer or market demands or preferences.

In addition to the costs directly associated with any redesign, repair, modification, or replacement, we may lose future revenue as an indirect result of product defects. Such indirect costs could be the result of the directly affected customer electing to order fewer or no products or services from us or, to the extent that other existing and potential customers learn of the defect, from the loss of future sales to those parties as they elect to order products and services from our competitors.

Any of these developments could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

Changes in tax laws, the international scope of our operations and our corporate and financing structure may expose us to potentially adverse tax consequences.

We are subject to taxation in, and to the tax laws and regulations of, multiple jurisdictions because of the international scope of our operations and our corporate and financing structure. We are regularly subject to the audit of our corporate income tax arrangements by the Italian tax authorities (particularly with respect to our financing and deductibility of interest) as well as the governing tax authorities in other countries where we operate. We routinely assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for taxes. We are also subject to inter-company pricing laws (for example transfer pricing rules), including those relating to the flow of funds among our companies pursuant to, for example, purchase agreements, licensing agreements or other arrangements. Adverse developments in these laws or regulations, or any change in position by the relevant authority regarding the application, administration or interpretation of these laws or regulations in any applicable jurisdiction, could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

In addition, we often rely on generally available interpretations of local accounting rules, tax laws and regulations in the jurisdictions in which we operate and are required to exercise judgement when determining our worldwide provision for income taxes, interest and penalties, and accounting for tax-related matters. The tax authorities in any applicable jurisdiction may disagree with the positions we have taken or intend to take regarding the tax treatment or characterization of any of our transactions, including the tax treatment or characterization of our indebtedness, including the Notes, existing and future intercompany loans and guarantees or the deduction of interest expenses. We could also fail, whether inadvertently or through reasons beyond our control, to comply with tax laws and regulations relating to the tax treatment of several of our financing arrangements, which could result in unfavorable tax treatment for such arrangements. If any applicable tax authorities were to successfully challenge the tax treatment or characterization of any of our intercompany loans or transactions, it could result in the disallowance of deductions, limit our ability to deduct interest expenses, the imposition of withholding taxes, the application of significant penalties and accrued interest on intercompany loans and/or internal deemed transfers. Any of these developments could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

Our Backlog is subject to unexpected adjustments and project cancellations and is, therefore, not necessarily indicative of our future revenue or results of operations.

We define Backlog as the total expected revenue from purchase orders that have been received and confirmed by customers with the assumption that each party of the agreement will fulfill its obligations under the purchase order or the contract. Our customers pay up to 30.0% of the total invoice in the early stages of the relationship by paying the first tranche of the agreed price. New Orders Intake represents the value of orders that are added to our Backlog during a given period and also includes cancellations of work or changes to existing contracts already in our Backlog, and thus helps to illustrate the annual turnover of our Backlog.

As of September 30, 2020 and December 31, 2019, 2018 and 2017, we had a total Backlog of €919.4 million, €909.0 million, €941.5 million, and €806.8 million, respectively. Over the past several years, we have experienced consistent rates of conversion of our Backlog into revenue. For the years ended December 31, 2015, 2016, 2017, and 2018, our Backlog as of the end of the year represented between 70.0% and 84.0% of the next year's revenue (i.e., from 2016 to 2019) (excluding After-Sales).

When we include the amount of expected revenue and income from a contract in our Backlog, we assume that each party will satisfy all of its respective obligations under such contract and payments to us under the contract will be made on a timely basis, consistent with the relevant payment conditions of each agreement. For contracts that are not for a lump sum, we estimate and update the related

Backlog based on the estimated amount of work to be completed through periodic consultation with our customers. We do not include in our total Backlog figures relating to projects for which we have not received purchase orders from our customers. Our customers may have the right, upon payment of certain penalties or reimbursement of certain costs and damages or other consequences, to cancel, reduce or defer firm orders that we have in our Backlog. If our customers cancel, reduce or defer firm orders, our revenue and our results of operations would be adversely affected. Further, we cannot assure that we will secure contracts equivalent in scope and duration to replace such orders.

Our Backlog and New Orders Intake may not result in actual revenue during the expected time periods or at all. Unforeseen events or circumstances, including, for example, termination, delay, scope reduction or adjustments, increased time requirements to complete the work, delays in commencing work, disruption of work, irrecoverable cost overrunning our default or other unforeseen events, may affect the projects in our Backlog and new orders. This could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

Our expectations with respect to the percentage of Backlog we anticipate to receive, as set out in this Offering Memorandum, are not revenue and should not be interpreted as an assurance or guarantee that such portions of the revenues from projects included in our Backlog can or will be received during the specified time periods. Actual revenues received from these projects may vary and these variations may be material. In addition, our definition of Backlog may not necessarily be the same as that of comparable companies and our Backlog may not be comparable either. To the extent that our Backlog does not lead to revenue, such failure could have a material adverse effect on our business. Any of these developments could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

We rely on some related party transactions within the IMA Group in operating our business.

Related party transactions carried out by Italian listed companies shall be performed in accordance with applicable laws and relevant regulatory provisions, including, in particular, those issued by CONSOB pursuant to Regulation no. 17221 dated March 12, 2010 (as subsequently amended and supplemented). The IMA Group has relationships with related parties, which are mainly people who are responsible for administration and management at IMA S.p.A. or entities controlled by them. Such transactions include commercial and real estate activities (leased premises), carried out on an arm's length basis in the ordinary course of business, and participation in the consolidated tax arrangement (also known as the fiscal unity). While IMA S.p.A. remains listed on the Milan Stock Exchange, transactions with related parties of greater significance, *inter alia*, are subject to the prior approval by the Board, which in turn must obtain a positive opinion on the proposed transaction by a relevant committee for transactions with related parties, composed entirely of independent directors, which can also be assisted by independent experts to express its opinion. We believe that our related party transactions provide us with certain advantages, including the use of common resources and skills. If we had carried out those transactions with third parties, we may have received materially different terms and conditions. If, in the future, we enter into transactions with third parties on less favorable terms, our financial position and prospects could be adversely affected.

Any of these developments could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

A reduction in capital investment by our customers or the imposition of compliance obligations on us by our customers could affect our financial results.

To a certain extent, our profits are dependent on a number of factors related to our customers that are outside of our control, including our customers' ability to successfully develop their businesses and their levels of capital investment in the products we sell. To the extent our customers are constrained or otherwise determined to reduce their development or capital expenditures or are unsuccessful in their marketing, sales or retail strategies, the foregoing could have a direct impact on our future growth and revenue. To a certain extent, our customers' decisions with respect to capital expenditures may be driven by factors outside of their control, such as economic uncertainty and changes in applicable tax regimes that have the effect of discouraging capital expenditures in the near-term.

From time to time, certain customers may seek to reduce their capital expenditures in order to achieve their profitability or cash generation objectives; this may include a reduction in purchase orders for new machines. Furthermore, many of our most significant customers, by virtue of their size and sophistication, have significant purchasing power and can often apply pricing pressure on their suppliers, including us, by resisting price increases, operating with reduced inventories or imposing new or revised requirements that may impact the customer-supplier relationship, including requirements related to safety, environmental, social and other sustainability issues which could exert pressure on our margins. Compliance with the requirements imposed by our customers may be costly.

Any of these developments could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

The integrity, reliability and efficiency of our internal controls and procedures may not be guaranteed, and we may suffer damage because of our employees and agents acting outside our policies and procedures.

Our business relies on internal controls and procedures that regulate customer and management information, finance, credit exposure, foreign exchange risk, regulatory compliance, contract management and compliance, and other aspects of our business. With the increasing focus by regulators, the press and our commercial partners on anti-money laundering, bribery and other compliance issues, our internal controls and procedures have even become more important to our business. If our internal controls and procedures are not adequately designed to meet the needs of our business, we may need to incur further costs to re-design and implement new controls or may encounter instances of embezzlement and fraud or to remedy the consequences of system failures. The process by which our internal controls and procedures are implemented may be inadequate to ensure full compliance with such controls and procedures, leaving us vulnerable to inconsistencies and failures that could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness. This risk may be increased as a result of our frequent acquisitions. If we fail to maintain or fail to cause the companies we acquire to adopt and maintain adequate internal controls our financial statements may not accurately reflect our financial condition.

We may suffer damage resulting from our employees' or agents' misconduct, operational errors or negligence, including damage relating to acts or omissions of employees or agents that we engage to provide services and manage client and supplier relationships in certain markets. Such misconduct, errors or negligence may include, for example, inadvertent or careless mistakes or intentional acts or misrepresentations by our employees or agents, breaches of applicable laws or regulations in the course of their duties, breaches of operational guidelines or other improper acts. Our systems designed to prevent and mitigate these risks may fail, and if we fail to train and manage our employees properly, these internal controls and procedures may be ineffective. Any misconduct, operational errors or negligence resulting from our employees or agents could lead to reputational damage, regulatory action, loss of regulatory licenses and financial costs, or penalties that may not be covered by insurance or by another party. Any of these developments could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

We depend upon information technology as part of our business and could suffer system failures, network disruptions and breaches in data security.

We rely on information technology networks and systems to securely process, transmit and store electronic information and to communicate internally and with our customers, partners and vendors. See "*Business—IT Systems*." We may be subject to information technology system failures, network disruptions and breaches in data security. Information technology system failures could disrupt our operations by causing transaction errors, processing inefficiencies, delays or cancellations of customer orders, inability to carry out certain After-Sales service activities remotely, loss of customers, impediments to the manufacture or shipment of products, other business disruptions, or the loss of or damage to intellectual property through security breaches. See "*—We could be unsuccessful in adequately protecting our intellectual property, technological know-how and trademarks and prevent others from making unauthorized use of such rights.*" Our information systems could also be penetrated by outside parties who intend to extract information, corrupt information, disrupt business processes, or misappropriate our customer information. Such breaches and cyberattacks could lead to shutdowns or disruptions of our systems and potential unauthorized disclosure of sensitive or confidential information, including personal data of, among others, our employees, customers, contractors, vendors and other business partners, as well as personal data stored on our products or through our services by our customers, which may result in damage to our reputation and brand and adversely affect our relationships with our customers. Cybersecurity threats are constantly evolving and have increased in sophistication and speed in recent years, thereby increasing the difficulty of detecting and defending against them. In addition, the fast-paced, evolving, pervasive, and sophisticated nature of certain cyber threats and vulnerabilities, as well as the scale and complexity of the business and infrastructure, make it possible that certain threats or vulnerabilities will be undetected or unmitigated in time to prevent an attack on one of our customers and its customers.

The risk of such attacks includes breaches and attempted breaches not only of our own products, services and systems, but also of those of our customers, employees, contractors, business partners, vendors and other third parties as well as of third-party systems on which we rely to operate our digital platforms. Successful breaches, employee malfeasance, or human or technological error could result in, for example, unauthorized access to, disclosure, modification, misuse, loss, or destruction of our data or systems or those of our customers or other third parties, theft of sensitive, regulated, or confidential data including personal information and intellectual property, loss of access to critical data or systems through ransomware, destructive attacks or other means, and business delays, service or system disruptions or denials of service.

In the event of such actions, we, our customers and other third parties could be exposed to potential liability, litigation, and regulatory or other government action, as well as to the loss of existing or potential customers, damage to brand and reputation, and other financial loss. In addition, the cost and operational consequences of responding to breaches and implementing remediation measures could be significant. See "*—We may in the future be involved in legal proceedings, including with regard to our key customers*." As our business and the cybersecurity landscape evolve, we may find it necessary to make significant further investments to protect data and infrastructure. However, there can be no assurance that such investments will prevent future cyberattacks or other threats from occurring which may result in material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

Any of these developments could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

We may incur liabilities for the actions of our directors, employees, agents, representatives, advisors and intermediaries, including under Italian Legislative Decree 231/2001.

The actual and perceived integrity of our executives, directors, employees and the security of our systems is critical to our ability to attract clients and comply with applicable regulations. We strive to set high standards of personal integrity for our employees and maintain high security system for services that we provide to our clients. Our reputation in this regard is an important factor in our business dealings with governmental agencies, our business partners and our customers. Accordingly, a finding of improper conduct on our part, or on the part of one or more of our current or former executives, directors, employees or another related party, or a system security defect or failure, or an allegation of such conduct that impairs our reputation, could result in civil or criminal liability and could have a material adverse effect on our business. Any of these developments could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness. See "*—We may in the future be involved in legal proceedings, including with regard to our key customers*".

Italian Legislative Decree 231/2001 ("**Decree 231**") allows Italian corporate entities, such as IMA, to implement compliance procedures to defend themselves against the administrative liability that may attach to them under Decree 231 for crimes committed in their interest or to their advantage by individuals who have a functional relationship with such corporate entities, such as employees, directors and representatives. Organizational, management and control models provide a defense from administrative liability to corporate entities that have implemented a 231 Model in compliance with

Decree 231 and have appointed an independent officer or body, such as a supervisory body (*Organismo di Vigilanza*), to supervise such 231 Model.

We have adopted a 231 Model on November 14, 2018. While we are not currently involved in any proceedings pursuant to Decree 231, the adoption of a 231 Model does not in itself exclude the application of sanctions and/or any form of liability under Decree 231, and any failure to update this model increases the risk that administrative liability under Decree 231 may arise. While maintaining, implementing and updating the internal control systems, we may not be able to prevent or detect the commission of the offences covered in Decree 231, especially given the nature and size of our Group.

Any proceeding relating to alleged crimes falling within the scope of Decree 231, even if ultimately the proceeding discharges the relevant entity, could be costly and divert management's attention away from other aspects of our business. Any such proceedings may also cause adverse publicity and reputational harm which could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness. Specifically, under Decree 231, we can be held liable for certain offenses committed in our interest or for our benefit in Italy or abroad (e.g., corruption, fraud against the state, corporate offenses, market abuse, certain environmental and workplace safety violations) by persons that have a relationship with us at the time of committing the offense in question, including third-party agents, partners or intermediaries, unless we can demonstrate that such persons intentionally violated our internal control model and that it would have been impossible for us to prevent such breach. If an offense falling within the scope of Decree 231 is committed, we may be subject to administrative or criminal penalties (e.g., fines, confiscations of profits), including the loss or revocation of authorizations, permits and licenses, a prohibition on contracting with public authorities, exclusion from subsidies and loan contributions, a prohibition on publicizing goods or services, the imposition of restrictions on our activities or damage to our reputation, and a consequent decrease in market confidence in our Group. Any of these developments could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

We are subject to extensive and costly laws and regulations and exposed to changes in law.

We are generally exposed to extensive laws and regulations, including tax laws, environmental laws, regulations related to occupational health and safety, and anti-corruption, sanctions and anti-bribery laws, which are subject to changes. The cost of complying with such laws and regulations is substantial. The governance and compliance procedures we have adopted may not be sufficient to prevent failures that result in regulatory enforcement actions, sanctions, reputational harm and fraud. If we cannot prevent such failures, it could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

Additionally, at the operational level, individual employees may not comply with our policies and guidelines and as a result may cause us to incur compliance costs and cause reputational harm and any such event could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

Furthermore, implementing changes in laws may require us to incur special or additional expenses. In particular, costs to comply with any changes to current regulatory provisions, both initially and on an ongoing basis, may be especially high, and such changes may take a substantial amount of time to implement. In this respect, we have certain sales into Iran and Syria, which are undertaken in compliance with the applicable rules and regulations, which, in the last three years, have in each case accounted for less than 1.0% of total revenue.

We could be subject to fines, loss of operating licenses and reputational harm, which could have a material adverse effect on our business. Any of these developments could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

We may in the future be involved in legal proceedings, including with regard to our key customers.

While we are currently not involved in any material legal proceedings, from time to time we are involved in litigation including lawsuits pertaining to product liability, environmental law, competition law, and health and safety matters. In addition, in the aftermath of public health measures implemented in the jurisdictions in which we operate as well as our temporary personnel initiatives due to the impact of the Covid-19 pandemic, we could be subject to an increase in litigation, in particular in relation to our vendors and our employees, including with respect to health and safety measures. See "*—The Covid-19 pandemic could have a material adverse effect on the global economy and our customers, and, in turn, our business results*." We are also subject to other proceedings, such as regulatory and tax investigations and audits as well as inspections by tax and other regulatory authorities, which may expose us to criminal or civil enforcement actions, including penalties and suspension or disqualification from procurement contracting. Any current or future legal proceeding, whether they are successful or not, could be costly, divert management's attention and result in reputational damage.

When we determine that a significant risk of a future claim against us exists, we record provisions in an amount equal to our estimated liability. There can be no assurance that our provisions will be sufficient to cover our actual litigation costs. Any failure to prevail in current or future litigation or to accurately predict the amounts at stake in a litigation or the likelihood of prevailing in any such litigation could result in unfavorable outcomes. Any of these developments could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness. See also "*Business—Legal Proceedings*".

The forward-looking industry and market information presented in this Offering Memorandum could differ materially from actual results.

We present forward-looking industry and market information in this Offering Memorandum, which has been derived from internal company estimates, industry publications and third-party reports prepared on our behalf. We caution you that the development of the industry and markets in which we operate could differ materially from the estimates made in this Offering Memorandum. Factors that could cause or contribute to these differences include, but are not limited to, those discussed in these "*Risk Factors*" and "*Forward-Looking Statements*." In addition, we have not presented all of the industry and market information from available industry publications and third-party reports, and some of this information may imply less favorable industry and market conditions in the future, than presented in this Offering Memorandum. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. As a result, none of the Issuer, the Guarantors, the Trustee, the Agents or any Initial Purchaser make any representation or warranty as to the accuracy or completeness of the forward-looking industry or market information included in this Offering Memorandum. In addition, certain market share information and other industry data and information presented in this Offering Memorandum, and in particular the estimated market growth rates and other industry related forecasts, were prepared prior to or concurrently with the outbreak of the Covid-19 pandemic, which has since had an adverse effect on the global economy. Such data or information has not been updated to account for the ongoing impact and adverse effect of the Covid-19 pandemic on our markets in the countries in which we operate. Consequently, our market shares and growth rate of our market shares following the impact of the Covid-19 pandemic could materially deviate from those presented in this Offering Memorandum. See "*—The Covid-19 pandemic could have a material adverse effect on the global economy and our customers, and, in turn, our business results*."

Any of these developments could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

We may incur liabilities that are not covered by insurance.

We maintain insurance for some, but not all, of the potential risks and liabilities associated with our business, including in relation to property damage, data breaches, business interruptions, directors' and officers' liability and product liability, at levels we believe are appropriate and consistent with current industry practice. We also maintain general liability insurance coverage, for damage caused by disclosure of confidential information, system failures, errors or unsatisfactory performance of services to our customers in the event of a third party claim citing damages or financial loss. As a result of market conditions, premiums and deductibles for insurance policies can increase substantially, and in some instances, certain insurance policies may no longer be available, may be available but not economically viable relative to the liability to be insured against, or may be available only for reduced amounts of coverage. While we maintain insurance in amounts we believe to be appropriate against risks commonly insured against in the industry, there can be no guarantee that all such risks are covered by insurance or that we will be able to obtain the levels of cover desired by us on acceptable terms in the future. In addition, even with such insurance in place, the risk remains that we may incur liabilities to customers and other third parties that exceed the limits of the insurance cover or are not covered by it at all. Any of these developments could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

Risks Related to the Presentation of Financial and Other Pro Forma Information

This Offering Memorandum includes unaudited preliminary financial information and actual results may differ from such information.

This Offering Memorandum includes certain preliminary data relating to our current trading which is based on our unaudited management accounts and information currently available to us. The unaudited preliminary financial information presented elsewhere in this Offering Memorandum has been prepared by management. The unaudited preliminary financial information was not prepared with a view towards compliance with published guidelines of the SEC, CONSOB, the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of preliminary financial information or IFRS or any other accounting standards. Our independent auditors have not audited, reviewed, compiled or performed any procedures with respect to such unaudited preliminary financial information for the purpose of its inclusion herein and accordingly, they have not expressed an opinion or provided any form of assurance with respect thereto for the purpose of this Offering Memorandum. Furthermore, the unaudited preliminary financial information does not take into account any circumstances or events occurring after the period to which it refers.

The unaudited preliminary financial information included elsewhere in this Offering Memorandum is based on a number of assumptions that are subject to inherent uncertainties subject to change. See "*Summary—Current Trading*". In addition, although we believe the unaudited preliminary financial information to be reasonable, our actual results may vary from the information contained above and such variations could be material. As such, you should not place undue reliance on the inclusion of such unaudited preliminary financial information, and it should not be regarded as an indication that it will be an accurate prediction of future events.

The Offering Memorandum presents pro forma and other financial information of the Company and the Issuer pro forma for the Transactions and assuming 100% purchase of all Company shares whereas the Issuer may not acquire 100% of the Company shares

As of the date of this Offering Memorandum, the Issuer indirectly through IMA Bidco owns 66.82% of the Outstanding Company Shares. The corporate structure and certain pro forma and other financial information of the Company and the Issuer presented in this Offering Memorandum assumes that pro forma for the Transactions, IMA Bidco would own 100% of the Outstanding Company Shares. For the presentation of certain financial metrics, this therefore assumes that 100% of the Pro Forma Adjusted EBITDA of the Company supports the indebtedness of the Issuer. In addition, the ratios and baskets in the "Description of the Notes" (in the case of certain ratios, after a Delisting) take into account 100% of the EBITDA (or similar metric) of the Company rather than applying the EBITDA (or similar metric) on a proportionate basis.

We do not intend to undertake the Company Merger or the Debt Push Company Merger, and are not required to do so, unless we acquire 100% of the Outstanding Company Shares. Until such time, the Notes will be structurally subordinated to any third party debt of the Company and its subsidiaries (other than with respect to the proceeds of the Notes used to repay certain existing indebtedness and fund certain net working capital requirements and cash and cash equivalents on the balance sheet of the Company and its subsidiaries, in relation to which, subject to Agreed Security Principles, the Issuer and/or IMA Bidco is required to provide security over the related loan to the Company as part of the Collateral).

See also “*Risks Related to the Notes, the Guarantees and the Notes Collateral—The Issuer may be unable to complete the Mergers*.”

Risk Related to the Transactions

The results of the MTO are subject to significant uncertainties and risks. We do not, and may not in the future, own all of the outstanding common shares in the Company, and there can be no assurance that the Company's shares will be delisted.

As of the date of this offering memorandum, the Issuer indirectly through IMA Bidco owns 66.82% of the Outstanding Company Shares. The final shareholding of IMA Bidco in the Company is dependent on the results of the MTO, which are currently unknown and cannot be guaranteed. Under Italian law, the threshold necessary to effect a Squeeze-Out of minority shareholders is 95.0%. If, after the MTO (including any Sell-Out related thereto), the Issuer holds less than 95.0% of the Company's shares and voting rights, we will be unable to Squeeze-Out the minority shareholders in the Company.

The presence of minority interests in the Company could impose significant limitations and restrictions on the influence that the Issuer and IMA Bidco may exercise as the indirect and direct shareholders of the Company. For example, for as long as minority interests exist, all transactions between the Issuer and IMA Bidco on the one hand, and the Company and its subsidiaries on the other hand (including, for example, the borrowing of any proceeds loans or the granting of guarantees and security in favor of the Notes), would be subject to the arms-length terms requirements and any shareholders' agreement that is entered into between the Issuer and/or IMA Bidco and the minority shareholders (if any), and any such transactions may be subject to challenge by the minority shareholders.

Lastly, the Issuer's obligations in relation to the Company and its subsidiaries under the covenants described in “*Description of the Notes*” are limited to a requirement to use commercially reasonable endeavors to procure compliance to the extent the Issuer is able to do so having regard to the proportion of shares it holds (directly or indirectly) in the Company. To the extent that the Issuer is unable to exercise full control of the Company, we cannot assure you that the Company and its subsidiaries will not take any action that would otherwise have been prohibited by the Indenture had their compliance under those covenants been required.

If a Special Redemption of the Notes occurs, proceeds may be returned to holders of the Notes which means that fewer Notes will be left outstanding and you may not obtain the return you expect on the Notes

Concurrently with the closing of the offering of the Notes, the Initial Purchasers will deposit with the Escrow Agent into the Escrow Accounts an amount equal to the gross proceeds of the offering of the Notes sold on the Issue Date, less amounts used to repay the Senior Secured Bridge Facility on the Issue Date and to pay certain fees in relation to the Offering. It is expected that (i) approximately €550.0 million shall be used to repay existing Company Indebtedness and (ii) the remaining amounts shall be used to purchase Outstanding Company Shares (either in over-the-counter purchases, pursuant to the MTO and/or in a Sell-Out or Squeeze-Out scenario). At any time following the Issue Date, the Issuer may elect, in its sole discretion and subject to certain conditions, to redeem up to the lesser of (Y) the aggregate principal amount of the Notes that have not been the subject of a release and (X) €350.0 million of the Notes (the “**Redemption**”) at a price (the “**Special Redemption Price**”) equal to 100% of the initial issue price of the Notes redeemed plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to, but excluding, the applicable Special Redemption Date, provided the outstanding aggregate principal amount of each of the Fixed Rate Notes or Floating Rate Notes remains, after giving effect to such Special Redemption, is at least €250.0 million.

In the event of a Special Redemption, you may not obtain the return you expect to receive on the Notes. In addition, there will be less Notes outstanding which may affect the trading liquidity of the Notes subject to the caps referred to above.

Only a portion of the proceeds will be placed into the Escrow Account and the remaining amounts will only cover a portion of the principal amount of the Notes

The gross proceeds of the Offering are expected to be €1,280.0 million. On the Issue Date, a portion of the proceeds in the amount of the outstanding Senior Secured Bridge Facility Agreement (which was approximately €450.0 million as of the date of this Offering Memorandum, but which may increase prior to the Issue Date) plus certain interest, fees and expenses shall be repaid to the lenders under the Senior Secured Bridge Facility Agreement and to repay certain other applicable amounts. Therefore, the amount of cash left in the Escrow Accounts will not cover the remaining amount of the Notes. Further, subject to only limited conditions as set out in "*Description of the Notes—Escrow of Proceeds; Special Redemption,*" the Issuer may withdraw further amounts from the Escrow Accounts in order to make over-the-counter repurchases of shares of the Company to the extent permitted pursuant to the Senior Secured Bridge Facility Agreement; purchase shares under the MTO Acquisition; purchase shares under the Sell-Out or Squeeze-Out Acquisition or to fund the payment of any purchases pursuant to Withdrawal Rights; repay Target Existing Debt (as defined in "Description of Notes"); or pay any related transaction costs, fees and/or expenses. Each of these will further reduce the amounts of cash in the Escrow Accounts.

The Escrow Accounts will only include the gross proceeds of the Offering minus the amounts drawn as described above. It will therefore not include the full amount of principal or interest on the Notes, nor will there be any guarantee or top-up mechanism from the Issuer or any party in relation to the cash in the Escrow Account. In addition, the issuing banks and the fronting banks under the Senior Secured Bridge Facility Agreement shall have a right under the Escrow Agreement to be reimbursed in priority to the holders of the Notes in the event any cash confirmation under the MTO is called by the applicable agent in respect of a share purchase that is made and required to be settled by such lenders. Therefore on any settlement date under the MTO, further cash may be withdrawn from the Escrow Account.

The Issuer may undertake various mergers following the Transactions.

Following the Transactions, the Issuer may reorganize its corporate structure, including through the Delisting Merger, the Debt Push Company Merger or the Company Merger. Such reorganizations may change the security over the Notes. Furthermore, each contemplated merger is subject to certain conditions and may not be completed. The Issuer cannot assure you that it will be able to complete any of the Mergers in any particular time frame or at all. See also "*—The Issuer may be unable to complete the Mergers and therefore the Notes may remain at the Issuer rather than a successor of one of the Mergers or the Company.*"

The interest of the Issuer's principal shareholders may conflict with the interests of the holders of the Notes.

Assuming the acquisition of all the Outstanding Company Shares pursuant to the MTO, upon consummation of the Transactions, the Sellers will own approximately 55.0% of the shares and 55.7% of the voting rights of SOFIMA (and indirectly the Issuer) and BC Partners will own approximately 44.0% of the shares and 44.3% of the voting rights of SOFIMA (and indirectly the Issuer). SOFIMA, controlled by the Sellers and BC Partners, will have, directly or indirectly, the power to affect, among other things, the Group's legal and capital structure and day-to-day operations, as well as the ability to elect and change the Group's management and to approve other changes to its operations. See *"Principal Shareholders."* In addition, for compliance with certain restrictive covenants, the Issuer will depend upon the cooperation of the Issuer's principal shareholders who have the power to effect compliance with such covenants. For example, SOFIMA, controlled by the Sellers and BC Partners, could cause the Issuer to incur additional indebtedness, to sell certain material assets or pay dividends, in each case, so long as the Indenture, the Revolving Credit Facility and the Guarantee Facility so permit. In certain circumstances, the interests of the Issuer's ultimate shareholders could conflict with your interests, particularly if the Issuer encounters financial difficulties or is unable to pay its debts when due. The incurrence of additional indebtedness would increase the Group's debt service obligations and the sale of certain assets could reduce the Group's ability to generate revenue, which could have an adverse effect on the Issuer's business, financial position and results of operations.

In addition, the Sellers and BC Partners have entered into a shareholders' agreement that provides for the governance rules of, inter alia, the Issuer and its subsidiaries. All significant actions to be taken by the Issuer and its subsidiaries will require approval of the board of directors of SOFIMA, which approval must include the favorable vote of at least one director of the Sellers and one director of BC Partners (the "**SOFIMA Shareholders' Agreement**"). See "*Principal Shareholders—SOFIMA Shareholders' Agreement.*"

BC Partners is in the business of making investments in companies and may have an interest in pursuing acquisitions, divestitures, financing or other transactions that, in their judgment, could enhance their equity investment, even though such transactions might involve risks to you as holders of the Notes. In addition, the BC Partners may from time to time acquire and hold interests in businesses that compete, directly or indirectly, with us.

Minority and activist shareholders may disagree with decisions of the Board of Directors of the Company and the decisions of SOFIMA.

The Sellers and BC Partners as our majority shareholders through SOFIMA will make decisions regarding our strategy and performance. Prior to a delisting, activist shareholders who disagree with the composition of the Board of Directors, our strategy or the way the Company is managed may seek to effect change through various strategies and channels. While shareholders of SOFIMA expect to continue to guide the Company in a manner acceptable to all minority shareholders, it cannot be excluded that minority shareholders may disagree with SOFIMA's decisions and management of the Company. Responding to shareholder activism can be costly and time-consuming, disrupt our operations, and divert the attention of management and our employees from our strategic initiatives. Activist campaigns can create perceived uncertainties as to our future direction, strategy, or leadership and may result in the loss of potential business opportunities, harm our ability to attract new employees, investors, and customers.

The Issuer may be unable to exercise full control over the shareholders' meeting of the Company.

Prior to the Company Merger or Delisting Merger, even though the Issuer is able to propose and elect, directly or indirectly, the majority of the Company's board of directors, such directors, like any other director, must meet specific requirements set forth by Italian laws and regulations applicable to listed companies and must act independently and pursue the best interests of the Company, in compliance with their duties of loyalty and care. Accordingly, the board of directors' decisions and other actions might not necessarily be in, or might conflict with, the interest of the Issuer. Any such decisions may have a material adverse effect on the Issuer's business, financial condition or results of operations.

In certain circumstances, the interests of the Company's shareholders could conflict with the interests of SOFIMA and the Issuer, and therefore your interests, particularly if the Issuer encounters financial difficulties or is unable to pay its debts when due. See "*—The interest of the Issuer's principal shareholders may conflict with the interests of the holders of the Notes.*"

We have incurred, and expect to continue to incur, significant costs in connection with the Transactions.

In connection with the Transactions, we have incurred and expect to continue to incur significant costs and expenses, including financial advisory, legal, accounting, consulting and other advisory fees and expenses, and other related charges. In addition, we may incur significant one-time charges as a result of costs associated with the Transactions. We will not be able to quantify the exact amount of these charges or the period in which they will be incurred until after the Transactions are completed. While we have assumed that a certain level of expenses will be incurred in connection with the Transactions, there are many factors that could affect the total amount. There may also be additional unanticipated significant costs in connection with the Transactions that we do not anticipate. Such increased costs and expenses could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness. See "*Use of Proceeds*."

The financial reporting of the Issuer post-Issue Date may include reporting of Company consolidated financial information.

The Issuer was established on September 16, 2020 and thus has a limited track record and limited financial information. As part of the reporting package to holders, for certain periods, in lieu of Issuer consolidated financial information, the Issuer may include Company consolidated financial information, provided they also provide a reasonably detailed description of material differences between the financial statements of the Company and those of the Issuer. Holders of the Notes that require Issuer consolidated financial statements may have to wait until a future point to receive this information.

Risks Related to the Issuer's Financing Arrangements

The Issuer's high leverage and debt service obligations could adversely affect our business.

Upon consummation of the Transactions, the Issuer will be highly leveraged and will have significant debt service obligations. As of September 30, 2020, after giving *pro forma* effect to the Transactions, the Issuer's consolidated total debt would have been €1,441.4 million. As of the same date, after giving *pro forma* effect to the Transactions, the Issuer would have had €150.0 million available for borrowing under the Revolving Credit Facility and €171.4 million available under the Guarantee Facility. See "*Description of Certain Financing Arrangements*" and "*Description of the Notes*". We anticipate that the Issuer's high leverage will continue for the foreseeable future and could have material consequences for the holders of the Notes, including:

- making it more difficult for the Issuer to satisfy its debt obligations, including under the Notes;
- increasing the Issuer's vulnerability and reducing its flexibility to respond to a downturn in its business or economic and industry conditions;
- limiting the Issuer's ability to obtain additional financing to fund future operations, capital expenditures, business opportunities, acquisitions, and other general corporate purposes and increasing the cost of any future borrowings;
- placing the Issuer at a competitive disadvantage compared to its competitors that have less debt in relation to cash flow;
- requiring the Issuer to dedicate a substantial portion of its cash flow from operations to the payment of principal of, and interest on, its indebtedness, thereby reducing the availability of such cash flow to fund its operations acquisitions, product research and development, or other general corporate purposes;
- limiting the Issuer's flexibility in planning for, or reacting to, changes in its business, the competitive environment and the industry in which it operates; and
- restricting the Issuer from investing in customer acquisitions, growing its business, pursuing strategic acquisitions and exploiting certain business opportunities.

Any of these or other consequences or events could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness. Although the terms of the Indenture limit its ability to incur additional indebtedness, such limitations are subject to exceptions and qualifications and the incurrence of additional indebtedness would exacerbate the risks above.

The Issuer's ability to service its indebtedness will depend on our future performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors. Many of these factors are beyond the Issuer's control. If the Issuer cannot service its indebtedness and meet its other obligations and commitments, it might be required to refinance its debt or to dispose of assets to obtain funds for such purpose. The Issuer cannot assure you that refinancings or asset dispositions could be effected on a timely basis or on satisfactory terms, if at all, or would be permitted by the terms of the Issuer's debt instruments. This could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

The Issuer may incur additional indebtedness, including at the level of our subsidiaries, which could increase our risk exposure from debt and could decrease your share in any proceeds.

Subject to restrictions in the Indenture and restrictions in the Revolving Credit Facility Agreement and the Guarantee Facility, the Issuer may incur additional indebtedness, which could increase the risks associated with the Issuer's already substantial indebtedness. The Issuer has the ability to borrow up to €150.0 million under the Revolving Credit Facility, under which the borrowings and indebtedness are secured and to incur up to €250.0 million under the Guarantee Facility (of which, as of December 6, 2020, the Company had utilized €78.6 million), which will be secured. The terms of the Indenture permit the Issuer to incur additional debt to which the Notes may be structurally subordinated.

The Issuer's subsidiaries may also be able to incur substantial additional indebtedness in the future, further increasing the risks associated with the Issuer's substantial leverage. If any of the subsidiaries of the Issuer that do not guarantee the Notes, which prior to the Company Merger, will include the Company and its subsidiaries, incur additional indebtedness, the holders of that debt will be entitled to share ahead of you in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of such subsidiaries. See "*Description of Certain Financing Arrangements*". If the Issuer incurs additional indebtedness, the related risks that the Issuer currently faces, as described above and elsewhere in these "*Risk Factors*", could intensify, which could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

The Issuer is subject to restrictive covenants under the Revolving Credit Facility Agreement, the Guarantee Facility and the Indenture.

Restrictive covenants under the Revolving Credit Facility Agreement, the Guarantee Facility and the Indenture impose significant operating and financial restrictions on the Issuer. The Issuer's failure to comply with these covenants, including as a result of events beyond its control, could result in an event of default that could materially and adversely affect the Issuer's financial condition and results of operations.

The Revolving Credit Facility Agreement, the Guarantee Facility and the Indenture contain negative covenants restricting, among other things, the Issuer's ability to:

- make certain loans or investments;
- incur indebtedness or issue guarantees;
- sell, lease, transfer or dispose of assets and subsidiary stock;
- merge or consolidate with other companies;
- transfer all or substantially all of its assets;
- pay dividends and make other restricted payments;
- create or incur liens;
- agree to limitations on the ability of its subsidiaries to pay dividends or make other distributions; and
- enter into transactions with affiliates.

See "*Description of Certain Financing Arrangements*".

The Company and its subsidiaries' ability to meet these covenants, can be affected by events beyond its control and a breach could result in an event of default under such indebtedness, which, subject to applicable cure periods or other limitations on acceleration or enforcement, the relevant creditors could declare amounts outstanding, together with accrued interest, immediately due and payable. The restrictions contained in the Revolving Credit Facility Agreement, the Guarantee Facility, the Indenture and certain other of the Company and its subsidiaries' indebtedness, could affect our ability to operate our business and may limit our ability to react to market conditions or take advantage of potential business opportunities as they arise. For example, such restrictions could adversely affect our ability to finance our operations, make strategic acquisitions, investments or alliances, restructure our organization or finance our capital needs. Additionally, our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If the Issuer breaches any of these covenants or restrictions, the Issuer could be in default under the Revolving Credit Facility Agreement, the Guarantee Facility or the Indenture.

If there were an event of default under any of the Issuer's debt instruments that is not cured or waived, the holders of the defaulted debt could terminate their commitments thereunder and cause all amounts outstanding with respect to such indebtedness to be due and payable immediately, which in turn could result in cross defaults under the Issuer's other debt instruments, including the Notes. Any such actions could force the Issuer into bankruptcy or liquidation, and the Issuer may not be able to repay its obligations under the Notes in such an event.

The Issuer may not be able to generate sufficient cash to meet its debt service obligations, or its obligations under other financing agreements, in which case its creditors could declare all amounts owed to them due and payable, leading to liquidity constraints

The Issuer's ability to make principal or interest payments on the Notes and to meet its other debt service obligations, including under the Revolving Credit Facility Agreement, the Guarantee Facility and the Indenture, or to refinance its debt, depends on its ability to distribute dividends and its future operating and financial performance. This, in turn, depends on our ability to successfully implement our business strategy as well as general economic, financial, competitive, regulatory and other factors that are beyond our control. If the Issuer cannot generate sufficient cash to meet its debt service requirements, the Issuer may, among other things, need to restructure or refinance all or a portion of its debt, including the Notes, on or before maturity, obtain additional financing, delay planned capital expenditures or investments, or sell material assets.

If the Issuer is not able to refinance any of its debt, obtain additional financing or sell assets on commercially reasonable terms or at all, the Issuer may not be able to satisfy its debt obligations, including the Notes. If the Issuer is also unable to satisfy its obligations on other financing arrangements, the Issuer could be in default under the Revolving Credit Facility Agreement, the Guarantee Facility, the Indenture and other relevant financing agreements which the Issuer may enter into in the future. In the event of a default under the Revolving Credit Facility Agreement, the Guarantee Facility or certain other defaults under any other agreement, the lenders under the respective facilities or financing instruments could take certain actions, including terminating their commitments and declaring all amounts that the Issuer has borrowed under its credit facilities and other indebtedness to be due and payable, together with accrued and unpaid interest. Such a default, or a failure to make interest payments on the Notes, could mean that borrowings under other debt instruments that contain cross-acceleration or cross-default provisions, including the Notes, the Revolving Credit Facility and the Guarantee Facility may as a result also be accelerated and become due and payable. If the debt under the Revolving Credit Facility, the Guarantee Facility or the Notes or any other material financing arrangement that the Issuer has entered into or will subsequently enter into were to be accelerated, its assets may be insufficient to repay the Notes in full. Any such actions could force the Issuer into bankruptcy or liquidation, and the Issuer might not be able to repay its obligations under the Notes in such an event. Also, any failure to make payments on the Notes on a timely basis would likely result in a reduction of the Issuer's credit rating, which could also harm the Issuer's ability to incur additional indebtedness. Any refinancing of the Issuer's debt could be at higher interest rates and may require the Issuer to comply with more onerous covenants, which could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness. See "*Description of Certain Financing Arrangements*" and "*Description of the Notes*".

Italian tax legislation may restrict the deductibility of all or a portion of the interest expense on the Issuer's indebtedness, including interest expense in respect of the Notes.

Current tax legislation in Italy (Article 96 of Presidential Decree No. 917of December 22, 1986, as amended by Legislative Decree No. 142/2018) allows for the full tax deductibility of interest expenses incurred by an Italian company in each fiscal year up to the amount of the interest income of the same fiscal year, as evidenced by the relevant annual financial statements. A further deduction of interest expenses in excess of this amount is allowed up to a threshold of 30 percent of fiscal EBITDA (*i.e. risultato operativo lordo della gestione caratteristica* or "**ROL**") determined according to the tax rules for the calculation of the corporate income taxable base. The amount of ROL and of interest income exceeding the interest expenses not used for the deduction of the amount of interest expenses in a fiscal year can be carried forward, respectively for the following five fiscal years and without time limits. Interest expenses not deducted in a relevant fiscal year can be carried forward to the following fiscal years and deducted, provided that and to the extent that, in such fiscal years, the amount of interest expenses that exceeds interest income is lower than 30 percent of ROL (utilized on the basis of the FIFO method). The carried forward ROL determined according to accounting rules under the previously applicable limitation provision could be offset only with interest expenses incurred on loans granted before 17 June 2016, to the extent that their maturity and their total amount committed have not been changed as of that date. In the case of a tax group, interest expenses not deducted by an entity within the tax group due to lack of ROL can be deducted at the tax unity level, within the limit of the excess of ROL of the other companies within the tax group.

Based on the above rules, the Issuer (or the Group) may not be able to deduct for Italian tax purposes all interest expenses borne in each relevant fiscal year. Furthermore, any future changes in Italian tax laws or in their interpretation or application, including any possible further limitation to the use of the ROL of the Issuer and/or of the Group may result in the Issuer's inability to fully deduct its interest expenses or further reduce the amount which it can deduct.

In the past, the Italian tax authorities have in certain instances challenged merger leveraged buyout transactions with respect to the deductibility of interest expenses arising in connection with acquisition financing. However, on March 30, 2016, the Italian Revenue Agency issued Circular Letter No. 6/E clarifying, as a common principle, that interest on an acquisition bank loan in leveraged buyout ("**LBO**") transactions are generally deductible for the Italian corporate income tax ("**IRES**") purposes, subject only to ordinary limitations stated in Article 96 of Presidential Decree No. 917 of December 22, 1986. In particular, the Italian Revenue Agency confirmed as a general principle that LBO transactions are generally based on sound economic reasons considering that the financing from third party lenders is usually conditional on acquisition of control over the target company by a special purpose vehicle and the following merger with debt push down. As a result of such guidance, LBO transactions are generally not considered irregular for tax purposes absent specific circumstances in which the tax authorities contend that the structuring of any such transaction was designed to obtain unlawful tax advantages in violation of the law or established legal principles (*e.g.*, re-leveraged transactions without a change of control).

We are subject to interest rate risk arising on our financial indebtedness.

We are subject to interest rate risk arising on our financial indebtedness. We raise funds using debt and investing excess liquidity in money market and other financial instruments. The fluctuation of market interest rates influences the cost and returns of the debt and investment instruments, therefore affecting our net financial income.

We manage a significant portion of our interest rate risk on floating rate indebtedness by means of derivative financial instruments (for example interest rate swaps). While we believe that our hedging policy limits our exposure to the risk of fluctuations in interest rates, there can be no guarantee that our hedging policy, which is designed to minimize any losses connected to fluctuations in interest rates, in the case of floating rate indebtedness, by transforming them into fixed rate indebtedness, will actually have the effect of reducing any such losses. To the extent it does not, this could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

You may face interest rate risks by investing in the Notes, as certain of the Issuer's borrowings (including the Revolving Credit Facility and the Guarantee Facility) bear, and the Senior Secured Floating Rate Notes will bear, interest at floating rates that could rise significantly, increasing the Issuer's interest cost and reducing cash flow.

A substantial part of the Issuer's indebtedness, including borrowings under the Revolving Credit Facility, the Guarantee Facility and the Senior Secured Floating Rate Notes, bears or will bear interest at *per annum* rates equal to EURIBOR (subject to a 0.0% floor), in each case adjusted periodically, plus a spread. These interest rates could rise significantly in the future, thereby increasing the Issuer's interest expenses associated with these obligations, reducing cash flow available for capital expenditures and hindering the Issuer's ability to make payments on the Notes. Future liquidity and cash flow difficulties could prevent the Issuer from repaying the Notes when due or repurchasing the Notes when the Issuer is required to do so pursuant to certain events constituting a change of control or otherwise, and the change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events.

Risks Related to the Notes, the Guarantees and the Notes Collateral

The Issuer will be dependent on payments from its subsidiaries in order to be able to make payments on the Notes.

Following the Transactions and prior to a Company Merger, if any, the Issuer will be a holding company that conducts no business operations of its own and has no significant assets other than, indirectly, the shares it holds in the Group and the receivables owed by IMA Bidco, if any. As a result, the Issuer will be dependent upon the cash flow from its subsidiaries in the form of dividends, intercompany loans, or otherwise to make payments on the Notes. IMA Bidco owns 66.82% of the Outstanding Company Shares, and the Issuer will have a right to receive only such proportion of dividends declared equal to its shareholdings. The Issuer's operating subsidiaries may not generate cash flow sufficient to enable the Issuer to meet its payment obligations under the Notes. In addition, the Issuer's subsidiaries may be restricted from providing funds to the Issuer under some circumstances. These circumstances could include, among others, restrictions under Italian corporate law which require a company to retain at least 5.0% of its annual unconsolidated net income until such reserve reaches at least 20.0% of the value of the company's share capital (equal to €22.5 million as of September 30, 2020), and future contractual restrictions, including restrictions in credit facilities and other indebtedness, that may affect the ability of the Issuer's subsidiaries to pay dividends or make other payments to the Issuer. In addition, applicable tax laws may also subject such payments to taxation.

Although the Indenture, the Guarantee Facility and the Revolving Credit Facility will limit the ability of the Issuer's restricted subsidiaries to incur contractual restrictions on their ability to pay dividends or make other payments to the Issuer, there are significant qualifications and exceptions to these limitations. The Issuer cannot assure you that the arrangements with its subsidiaries, the funding permitted by the agreements governing existing and future indebtedness of its subsidiaries and its results of operations and cash flow generally will provide the Issuer with sufficient dividends, distributions or loans to fund payments on the Notes. In the event that the Issuer does not receive distributions or other payments from its subsidiaries, the Issuer may be unable to make required principal and interest payments on the Notes, and the Issuer does not expect to have any other sources of funds that would allow the Issuer to make payments to holders of the Notes.

The Notes will be structurally subordinated to all indebtedness of the Issuer's existing and future subsidiaries that do not guarantee the Notes.

The Issuer's subsidiaries that do not guarantee the Notes will have no obligation, contingent or otherwise, to pay amounts due under the Notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or otherwise. As of September 30, 2020, after giving *pro forma* effect to the Transactions (including the for the avoidance of doubt the repayment of existing Company indebtedness and the Funding and Repayment Transactions), the consolidated subsidiaries of the Issuer that are not Guarantors would not have had any long term financial indebtedness outstanding other than finance lease liabilities of €161.4 million. The Issuer's non-Guarantor subsidiaries represented 100.0% of the Issuer's consolidated total revenues and income, EBITDA and total assets, respectively, for the year ended December 31, 2019 and the twelve months ended September 30, 2020.

The Issuer may be unable to complete the Mergers and therefore the Notes may remain at the Issuer rather than a successor of one of the Mergers or the Company.

Following Transactions, the Issuer intends to undertake one or more of the Delisting Merger, the Debt Push Company Merger or the Company Merger. Such reorganizations may change the security over the Notes. Each of these possible mergers is subject to certain conditions and may not be completed. The Issuer cannot assure you that it will be able to complete any of the Mergers in any particular time frame or at all.

In case the Issuer pursues the Delisting Merger, it will be undertaken pursuant to the provisions of Article 2501-bis of the Italian Civil Code. In order to complete the Delisting Merger, if any, there are various steps that the Issuer must take including the preparation of a merger plan, a report by the directors of the companies involved in the Delisting Merger, approval by the Company's committee with responsibility for considering and approving certain related party transactions, and a report by an independent expert appointed by the court, assessing the methods used for determining the exchange ratio and the fairness of the ratio as well as stating the reasonableness of the assumptions of the merger plan. As the incorporating company or the company resulting from the Delisting Merger, if any, will be an Italian joint stock company (*società per azioni*), the independent expert is required to be appointed by the court, which creates an inherent uncertainty as to the length of time in which the Delisting Merger can be expected to take place. In addition, there can be no assurance that the independent expert will release its report in a timely manner and/or that the report will approve the reasonableness of the assumptions of the merger plan or that the other steps required for the Delisting Merger will be taken in a timely manner, or at all. Subject to certain exceptions, the Delisting Merger, if any, can only be implemented following the expiration of 60 days after the latest filing with the competent companies' registry of the resolutions approving the Delisting Merger. Within this 60-day deadline, the creditors of the companies involved in the Delisting Merger, if any, are entitled to challenge the Delisting Merger.

Additionally, we do not intend to undertake the Company Merger or the Debt Push Company Merger, and are not required to do so, unless we acquire 100% of the Outstanding Company Shares. As a result, among other things, the Notes would remain structurally subordinated to any indebtedness incurred at the Company, and the Issuer will have access only to its proportionate share of any dividends or distributions from the Company for purposes of making payments under the Notes. Any such dividends and distributions received by the Issuer may be further reduced by applicable taxes. Furthermore, in such case, there would continue to be minority shareholders in the Company. The presence of minority interests in the Company could impose significant limitations and restrictions on the influence that the Issuer and IMA Bidco may exercise as the indirect and direct shareholders of the Company. See "*—Risks Related to the Transactions—The results of the MTO is subject to significant uncertainties and risks. We do not, and may not in the future, own all of the outstanding common shares in the Company, and there can be no assurance that the Company's shares will be delisted*" and "*—Risks Related to the Transactions—Minority and activist shareholders may disagree with decisions of the Board of Directors of the Company and the decisions of SOFIMA*." However, the more Outstanding Company Shares we acquire, the smaller the minority shareholder interests in the Company there would be, but the higher the amount of Notes outstanding. Therefore the Issuer would have, on the one hand, a greater portion of any dividends or distributions from the Company, but a greater debt burden. Conversely, larger minority interests in the Company would mean a lesser portion of any dividends or distributions from the Company but also a lower amount of Notes outstanding that the Issuer would have to service and ultimately repay.

The Issuer intends to lend a portion of the proceeds of the Notes to the Company to repay the existing financial indebtedness of the Company (excluding finance leases) and will therefore have a loan claim into the Company in the amount of such loan, and the holders of the Notes will be given security interests over such claim. However, any repayment, reduction, cancellation, extinguishment or equitization of such loans (which actions are not prohibited by the Indenture) will reduce the potential value of such claims available at the time of any enforcement on the security interests over such claims.

Holders of the Notes generally will not be entitled to a gross-up for any Italian withholding taxes, unless the Italian withholding tax is caused by a failure of the Issuer to comply with certain procedures.

The Issuer is organized under the laws of Italy and is an Italian resident for tax purposes and therefore payments of principal and interest on the Notes and, in certain circumstances, any gain on the Notes, will be subject to Italian tax laws and regulations. All payments made by the Issuer or on its behalf in respect of the Notes will be made free and clear of withholding or deduction of Italian taxation, unless the withholding or deduction is required by law. In that event, subject to a number of exceptions, the Issuer or the Guarantors will pay such Additional Amounts as will result in the holders of the Notes receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required.

The Issuer and the Guarantors are not liable to pay any Additional Amounts to holders of the Notes in certain circumstances, including (a) in respect of any withholding tax or other similar measure in effect in certain Member States in accordance with international agreements entered into between the Member State and a non-EU country or territory (such as FATCA agreements); (b) if any withholding or deduction is required pursuant to Decree No. 239/1996 or pursuant to Decree No. 461/1997 (except where the procedures required under Decree No. 239/1996 or under Decree No. 461/1997 in order to benefit from an exemption have not been complied with due solely to the actions or omissions by the Issuer or its agents); and/or (c) if any withholding is required pursuant to section 1471(b) of the Code, or otherwise imposed pursuant to sections 1471 through 1474 of the Code, in each case, as of the Issue Date (or, in each case, any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental agreement relating thereto. In those circumstances, investors will receive the proceeds of their investment in the Notes net of applicable withholding or deductions.

In particular, holders of Notes not resident in White List countries, holders who are resident in White List countries that do not properly and promptly satisfy the required conditions and procedures set forth by Decree No. 239/1996 (and by the relevant application rules to benefit from exemption from Italian taxation) and certain categories of holders of the Notes who are resident in Italy, will therefore only receive the net proceeds of their investment in the Notes and will not be paid any Additional Amounts to compensate them for the withholding or deduction.

In general, under the currently applicable regime, Italian substitute or withholding tax will be imposed on proceeds (such as interest payments but not principal repayments) under the Notes where (i) the holders or (if different) beneficial owners of the Notes are individuals or certain entities resident for tax purposes in Italy or resident in a country or territory which does not allow for satisfactory exchange of information with the Italian tax authorities that is not included in the White List; or (ii) the Notes are not deposited, together with the coupons relating to such Notes, directly or indirectly, with an Italian resident bank or brokerage company (SIM), or a permanent establishment in Italy of a non-resident bank or a SIM, acting as depositary or sub-depositary of the Notes appointed to maintain direct relationships, via telematic link, with the Italian Tax Authorities; or (iii) the Notes will not be listed at the Issue Date on a regulated market or multilateral trading facility of a State of the European Union or of the European Economic Area included in the White List and, in such latter case, will not be entirely subscribed by (and admitted to be transferred only to) Qualified Investors (as to which see the Risk Factor entitled "*The Notes may not become, or remain, listed on the Official List of the Luxembourg Stock Exchange*").

Although we believe that, under current law, Italian substitute tax will not be imposed on proceeds from the Notes under Decree No. 239/1996 to a holder provided that holder of Notes is resident for tax purposes in a White List country and such holder promptly and properly complies with certain certification and procedural requirements set forth by Decree No. 239/1996 (as amended or supplemented) and by the relevant application rules, there is no assurance that this will be the case should there be a change in applicable law or relevant procedures. See "*Certain Tax Considerations—Certain Italian Tax Considerations on Interest—Non-Italian Resident Holders of Notes.*" Moreover, holders of the Notes should note that they will bear the risk of any change in the White List relevant for Decree No. 239/1996 after the date hereof.

No assurance can be given that the procedural requirements to apply the Italian tax regime provided by Italian Legislative Decree No. 239/1996 will be met by the relevant Italian or foreign intermediaries.

The regime provided by Decree No. 239/1996—and in particular the exemption from Italian substitute tax in principle granted to non-Italian resident holders of the Notes who are the beneficial owners of the proceeds from the Notes or institutional investors not subject to tax and who are resident or established in countries included in the White List—applies if certain procedural requirements and conditions set forth by Decree No. 239/1996 (as amended or supplemented) and by the relevant application rules are properly met and satisfied.

It is not possible for us to assure that all non-Italian resident investors can claim the application of the substitute tax exemption where the relevant intermediary fails to provide sufficient information to the relevant Italian tax authorities under the procedures set for applying the exemption regime. See "*Certain tax considerations—Certain Italian Tax Considerations on Interest—Non-Italian Resident Holders of Notes.*"

The Company Merger and/or Delisting Merger and the assumption of obligations under the Notes by Company MergerCo or Debt Push MergerCo, as applicable, may be treated as a taxable exchange for U.S. federal income tax purposes.

After the Completion Date of the Transactions, if the conditions for the Company Merger and/or the Delisting Merger are met, it is expected that we will consummate the Delisting Merger and, thereafter, the Debt Push Company Merger. Finally, following the acquisition of 100% of the Outstanding Company Shares pursuant to the MTO (including the Sell-Out and the Squeeze-Out), we may consummate the Company Merger. The resulting entities, Company MergerCo and Debt Push MergerCo, will assume the obligations of the Issuer under the Notes.

Although the issue is not free from doubt, the Issuer intends to take the position (to the extent we are required to do so) that these transactions will not be treated as resulting in a taxable exchange for U.S. federal income tax purposes. It is possible, however, that the IRS could take a contrary view, and seek to treat the Company Merger or Delisting Merger and the assumption of the obligations under the Notes by Company MergerCo as resulting in a taxable exchange for U.S. federal income tax purposes. If so, U.S. Holders (as defined in "*Certain Tax Considerations—Certain U.S. Federal Income Tax Considerations*") would recognize any gain or loss in connection with such taxable exchange and would have a new holding period and new tax basis in each series of the Notes for U.S. federal income tax purposes. In addition, if the fair market value of one or more series of the Notes at the time of the Company Merger or Delisting Merger, if any, is less than the principal amount of such series of Notes (by more than a statutorily defined *de minimis* amount), such series of Notes may be treated as issued with original issue discount. Please see "*Certain Tax Considerations—Certain U.S. Federal Income Tax Considerations*".

Our right to receive payments under any shareholders loan may be subordinated by law to the obligations of other creditors.

Italian corporate law (Articles 2497-*quinquies* and 2467 of the Italian Civil Code) provides for rules to protect creditors against "undercapitalized companies" and provides for remedies in respect thereof.

In this respect, in case of a loan to a company made by (i) a person that, directly or indirectly, directs the company or exercises management and coordination powers over that borrowing company or (ii) any entity subject to the management and coordination powers of the same person or (iii) a quotaholder in the case of a company incorporated in Italy as a *società a responsabilità limitata*, such loan will be subordinated to all other creditors of that borrower and rank senior only to the equity in that borrower if the loan is made when, taking into account the kind of business of the borrower, there was an excessive imbalance of the borrower's indebtedness compared to its net assets or the borrower was already in a financial situation requiring an injection of equity and not a loan ("undercapitalization"). Any payment made by the borrower with respect to any such loan within one year prior to a bankruptcy declaration would be required to be returned to the borrower. The above rules apply to shareholders' loans "made in any form" and scholars generally conclude that such provisions should be interpreted broadly and apply to any form of financial support provided to a company by its shareholders, either directly or indirectly.

As of the date hereof, there are several court precedents interpreting the provisions summarized above. Some of such precedents have held that Article 2467 of the Italian Civil Code also applies to companies incorporated as *società per azioni*, hence potentially to the borrowers under the intercompany loans that are incorporated as *società per azioni*.

Therefore, upon the occurrence of the requirements provided for by the relevant provisions, it cannot be excluded that a court may apply such provisions of the Italian Civil Code in respect of any of the funds made available by the Issuer to any of its subsidiaries under the relevant intercompany loans. Accordingly, an Italian court may conclude that the obligations of any Italian subsidiary under any intercompany loan are subordinated to all its obligations towards other creditors. Should any obligations of any Italian subsidiary vis-à-vis the Issuer under any intercompany lean be deemed subordinated to the obligations owed to other creditors by operation of law and senior only to the equity, the Issuer may not be able to recover any amounts under any intercompany loan granted to the relevant Italian subsidiary, which could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness. Moreover, in circumstances where any obligations of an Italian subsidiary under any intercompany loans is subordinated by operation of law, the ability of the holders of the Notes to recover under any Collateral created over such intercompany loans or any guarantees and/or security interest granted by such Italian subsidiaries may be impaired or restricted.

Creditors under the Revolving Credit Facility, the Guarantee Facility, certain hedging liabilities and certain debt that the Issuer may incur in the future will be entitled to be repaid with the proceeds of the Notes Collateral sold in any enforcement sale in priority to the Notes.

In addition to securing the Notes, the assets that comprise the Notes Collateral will also secure the Issuer's obligations under the Revolving Credit Facility, the Guarantee Facility and certain hedging obligations. The Indenture, the Guarantee Facility and the Revolving Credit Facility will also permit the Notes Collateral to be pledged to secure additional indebtedness in accordance with the terms thereof and the Intercreditor Agreement. Pursuant to the Intercreditor Agreement, the liabilities under the Revolving Credit Facility, the Guarantee Facility and certain hedging obligations will have priority over any amounts received from the sale of the Notes Collateral pursuant to an enforcement action taken with respect to such Notes Collateral. In the event of a foreclosure of the Notes Collateral, you may not be able to recover on such Notes Collateral if the then outstanding claims under the Revolving Credit Facility, the Guarantee Facility and such amount in respect of such hedging obligations are greater than the proceeds realized. In addition, any proceeds remaining from an enforcement sale of the Notes Collateral by any creditor will, after all obligations under the Revolving Credit Facility, the Guarantee Facility and such amount in respect of such hedging obligations have been discharged from such recoveries, be applied *pro rata* to the repayment of the Notes and any other obligations secured by such Notes Collateral on a *pari passu* basis, which obligations may be significant. As a result, holders of Notes may receive proportionately less than holders of other secured indebtedness of the Group.

The proceeds from the enforcement of the Notes Collateral may not be sufficient to satisfy the obligations under the Notes.

The Notes Collateral will secure the Issuer's obligations under the Revolving Credit Facility, the Guarantee Facility and certain hedge agreements. The Notes Collateral may also secure additional debt to the extent permitted by the terms of the Indenture, the Revolving Credit Facility, the Guarantee Facility and the Intercreditor Agreement. Only in the event of Company Merger as further described herein, subject to the Agreed Security Principles, certain subsequent Guarantors including the operating companies in the Group may provide Guarantees of the Notes and if the Delisting Merger and the Delisting do not occur, the Notes Collateral will be limited to the collateral provided by the holding companies as described herein. In addition, the rights of holders of the Notes to the Notes Collateral may be diluted by any increase in the first-priority debt secured by the Notes Collateral.

Not all the Issuer's assets will secure, directly or indirectly, the Notes. The value of the Notes Collateral and the amount to be received upon an enforcement of such Notes Collateral will depend upon many factors, including, among others, the ability to sell the Notes Collateral in an orderly sale, whether or not the business is sold as a going concern, the condition of the Italian economy and the availability of buyers. The book value of the Notes Collateral should not be relied on as a measure of realizable value for such assets. All or a portion of the Notes Collateral may be illiquid and may have no readily ascertainable market value. Likewise, the Issuer cannot assure you that there will be a market for the sale of the Notes Collateral, or, if such a market exists, that there will not be a substantial delay in its liquidation. In addition, (i) the pledges, shares and ownership interests of an entity may be of no value if that entity is subject to an insolvency or bankruptcy proceeding because all of the obligations of the entity must first be satisfied, leaving little or no remaining assets in the entity and (ii) the total amount secured under the Notes Collateral is not linked to the market value of the underlying assets.

It may be difficult to realize the value of the Notes Collateral.

The Notes Collateral will be subject to exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture, the Revolving Credit Facility Agreement, the Guarantee Facility and the Intercreditor Agreement, whether on or after the date the Notes are first issued. The existence of such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Notes Collateral, as well as the ability of the Security Agent to realize or foreclose on such Notes Collateral. Furthermore, the first-priority ranking of security interests can be affected by a variety of factors, including the timely satisfaction of perfection requirements, statutory liens or re-characterization under the laws of certain jurisdictions (including the laws of Italy).

In addition, any proceeds of the Notes which are used to fund certain net working capital and cash and cash equivalents on the balance sheet of the Company and its Restricted Subsidiaries and to repay

Target Existing Debt (as defined in "Description of the Notes") are required to be contributed in the form of loans (the "Proceeds Loans") from the Issuer to the Company (or to IMA Bidco and to the Company), whose receivables, subject to the Agreed Security Principles, will be assigned to the Security Agent and form part of the Notes Collateral, providing holders of the Notes with payment claims against IMA Bidco and the Company, as applicable, upon enforcement. Any repayment, reduction, cancellation or equitization of such Proceeds Loans (which actions are not prohibited by the Indenture) would in turn reduce the value of the potential payment claims available to holders of the Notes against IMA Bidco and the Company upon enforcement.

If the proceeds of any sale or enforcement of the Notes Collateral are not sufficient to repay all amounts due on the Notes and the Guarantees, investors in the Notes (to the extent not repaid from the proceeds of the sale or enforcement of the Notes Collateral) would have only an unsecured claim against the Issuer's remaining assets. Each of these factors or any challenge to the validity of the Notes Collateral or any intercreditor arrangement governing the Issuer's creditor's rights could reduce the proceeds realized upon enforcement of the Notes Collateral. See "*—The proceeds from the enforcement of the Notes Collateral may not be sufficient to satisfy the obligations under the Notes*". In addition, the Notes Collateral may not be liquid, and its value to other parties may be less than its value to the Issuer.

The Notes Collateral may be subject to practical problems generally associated with the realization of security interests in collateral. The Security Agent may also need to obtain the consent of a third-party to enforce a security interest. The Security Agent may not be able to obtain any such consents. In addition, the consents of any third parties may not be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Notes Collateral may significantly decrease.

Furthermore, due consideration should be given by investors to the circumstance that enforcement procedures and timing for obtaining judicial decisions in Italy may be materially more complex and time-consuming than in equivalent situations in jurisdictions with which investors may be familiar.

The Notes Collateral secures amounts under the Revolving Credit Facility and the Guarantee Facility and liabilities thereunder which are more likely to become due in circumstances when an enforcement action may be taken.

The Revolving Credit Facility may be utilized by the drawing of cash advances, the issue of bank guarantees and documentary credits (including letters of credit and performance bonds) and by way of ancillary facilities. The Guarantee Facility may be utilized by the issue of letters of credits, bank guarantees and by way of ancillary facilities.

In the ordinary course of business, amounts under the Guarantee Facility and drawings other than cash advances under the Revolving Credit Facility are likely to operate in a contingent manner rather than requiring immediate repayment. However, in the types of circumstances where the Notes Collateral may become enforceable, including upon a payment default or insolvency related default under the Notes, the Revolving Credit Facility or the Guarantee Facility, these contingent claims are more likely to crystallize. This may occur, for instance, if contractual parties that have been provided with guarantees will call on their guarantees. This will mean that amounts under such facilities will become due and payable, and as discussed above, will recover the proceeds of Notes Collateral in priority to the Notes.

As described above, if the Revolving Credit Facility and the Guarantee Facility are not repaid in full in the prescribed amounts of time, as set forth in the Intercreditor Agreement, creditors under the Revolving Credit Facility and Guarantee Facility will become the instructing group for enforcement of the security.

Fraudulent conveyance laws and other limitations on the enforceability and the amount of the Guarantees and the Notes Collateral may adversely affect their validity and enforceability.

The Guarantees and the Notes Collateral may be subject to claims or could be limited or subordinated in favor of the relevant Guarantor's or relevant Notes Collateral grantor's existing and future creditors under applicable laws. In addition, enforcement of each Guarantee will be limited to the extent of the amount which can be guaranteed by a particular Guarantor without rendering the guarantee voidable or otherwise ineffective under, or contrary to, applicable law. The enforcement of the Notes Collateral will be limited to the extent of the amount which can be secured by a particular security grantor without rendering the security interest voidable or otherwise ineffective under, or contrary to, applicable law and to avoid certain significant costs associated with taking certain security interests. Enforcement of any of the Guarantees or the Notes Collateral against any Guarantor and any grantor of Notes Collateral will also be subject to certain defenses available to guarantors and grantors of security interests generally. These laws and defenses include, primarily with respect to Guarantors, those that relate to fraudulent conveyance or transfer, insolvency, voidable preference, financial assistance, corporate purpose or benefit, preservation of share capital, thin capitalization and defenses affecting the rights of creditors generally.

Although laws differ among various jurisdictions, in general, under applicable fraudulent conveyance and similar laws, a court could subordinate or void any guarantee or security interest provided by such guarantor or security grantor if it found that:

- the guarantee was issued or the security interest was granted with the intent to hinder, delay or defraud current or future creditors or shareholders of the respective guarantor or security grantor;
- the relevant guarantor or security grantor did not receive fair consideration or reasonably equivalent value for the guarantee or the security interest granted, and:
  - the relevant guarantor or security grantor was insolvent, became insolvent within a certain time frame or was rendered insolvent because of the guarantee or security interest granted;
  - the relevant guarantor or security grantor was undercapitalized or became undercapitalized because of the guarantee or security interest granted;
  - the relevant guarantor or security grantor intended to incur, or believed that it would incur, debt beyond its ability to pay at maturity; or
  - the guarantee or security interest granted was not in the best interests or for the benefit of the relevant guarantor or security grantor.

The measure of insolvency for purposes of fraudulent conveyance and similar laws varies depending on the law applied. Generally, however, a guarantor or security grantor would be considered insolvent if it could not pay its debts as they became due. In such circumstances, if a court voided such Guarantee or Notes Collateral, or held it unenforceable, the holders of the Notes would cease to have any claim in respect of the relevant Guarantor or the relevant Notes Collateral, would be creditors solely of the Issuer and any remaining Guarantors and would benefit only from any remaining Notes Collateral. The holders of the Notes may also be required to repay any amounts received with respect to such Guarantee or such Notes Collateral. Further, the Guarantees and the Notes Collateral may be subject to claims that they should be limited or subordinated under United States, Italian or other applicable law. The enforcement of the Guarantees and the Notes Collateral will be limited to the extent that the granting of such Guarantees and the Notes Collateral is not in the corporate interest of the relevant guarantor or provider of Notes Collateral, would be in breach of capital maintenance or thin capitalization rules or any other general statutory laws, or that the burden of such Guarantee or Notes Collateral securing the Notes and the Guarantees exceed the benefit to the relevant guarantor or provider of security.

The Issuer and its subsidiaries will have control over certain of the Notes Collateral, and the operation of the business or the sale of particular assets or certain mergers could reduce the pool of assets securing the Notes.

The security documents relating to the Notes will allow the Issuer and its subsidiaries to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from, certain of the Notes Collateral. So long as no default or event of default under the Indenture would result therefrom, the Issuer and its subsidiaries may, among other things, subject to the terms of the security documents, without any release or consent by the Trustee or the Security Agent, conduct ordinary course activities with respect to the Notes Collateral such as selling, modifying, factoring, abandoning or otherwise disposing of the Notes Collateral and making ordinary course cash payments, including repayments of indebtedness, in each case, in accordance with, and subject to, the terms of the security documents. Any of these activities could reduce the value of the Notes Collateral, which could reduce the amounts payable to you from the proceeds of any sale of the Notes Collateral in the case of an enforcement of the liens on the Notes Collateral. To the extent these activities are allowed with regard to certain security interests, under Italian law such security interests could be considered to be not validly perfected.

The Guarantees of IMA Bidco and any further Italian Guarantor are limited by the Indenture and each of the Guarantees is furthermore significantly limited by applicable laws and subject to certain limitations and defenses.

The Guarantees will provide the holders of the Notes with a direct claim against the relevant Guarantor. However, the obligations of an applicable Guarantor under its Notes Guarantee will be limited under the Indenture to an amount (which may be zero) which will be determined so as to ensure that amounts payable will not result in violations of laws related to corporate benefit, capitalization, capital preservation, financial assistance or transactions under value, or otherwise cause the Guarantor to be deemed insolvent under applicable law or such Guarantee to be deemed void, unenforceable or *ultra vires*, or cause the directors of such Guarantor to be held in breach of applicable corporate or commercial law for providing such Guarantee.

In particular, the Guarantees of the Italian Guarantors in respect of the obligations of any obligor which is not a subsidiary (pursuant to article 2359, paragraph 1, numbers 1 or 2, of the Italian Civil Code) of such Italian Guarantor, as a consequence of applicable Italian corporate law limitations, will not exceed at any time, an amount equal to the aggregate of (i) the aggregate principal amount of the Revolving Credit Facility and the Guarantee Facility at any time advanced to that Italian Guarantor (or any of its direct or indirect subsidiaries pursuant to Article 2359, paragraph 1, numbers 1 or 2, of the Italian Civil Code) as borrower under the Revolving Credit Facility Agreement and the Guarantee Facility Agreement; and (ii) the aggregate principal amount of any intercompany loans, or other financial support in any form (such term, for the avoidance of doubt, not including equity contributions provided that with respect to Bidco, such term shall include equity contributions in the form of capital contributions (*versamenti in conto capitale o a fondo perduto*), received from time to time by that Italian Guarantor (or any of its direct or indirect subsidiaries pursuant to Article 2359, paragraph 1, numbers 1 or 2, of the Italian Civil Code) from the Issuer or any other Guarantor (whether directly or indirectly) since the earlier of the date of the Senior Secured Bridge Facility Agreement or the Issue Date, *less* the aggregate amount (if any) that, at the time of the enforcement of the guarantee provided for under the Indenture, such Italian Guarantor has already been required to pay or has actually paid as a result of a demand under any guarantee granted by such Italian Guarantor pursuant to any other Debt Document (other than the Transaction Security Documents, the Shareholder Debt Documents and the Intra-Group Debt Documents) (each as defined in the Intercreditor Agreement), including the Revolving Credit Facility Agreement and/or the Intercreditor Agreement, provided that, notwithstanding any provisions to the contrary in the Transaction Documents, each Italian Guarantor shall be entitled to set-off payment obligations relating to any of the above financial support against its claims of recourse or subrogation (*regresso* or *surrogazione*) against the Issuer or that member of the Group arising as a result of any payment made by that Italian Guarantor, under the guarantee given in respect of the Notes, the Revolving Credit Facility and the Guarantee Facility (the "**Set-Off Right**"). For the purposes hereof, any provision establishing a deferral of Guarantors' rights in any Transaction Documents shall not prejudice, and will not apply to, the Set-Off Right. Furthermore, any guarantee, indemnity, obligations and liability granted or assumed pursuant to the Notes, the Revolving Credit Facility and the Guarantee Facility by any Italian Guarantor shall not include and shall not extend, directly or indirectly, to any amount lent to acquire or subscribe, directly or indirectly, shares or quotas in such Italian Guarantor or any direct or indirect controlling entity of such Italian Guarantor (or the refinancing of any indebtedness incurred for that purpose). In any event, pursuant to Article 1938 of the Italian Civil Code, the maximum amount that any Italian Guarantor may be required to pay in respect of its obligations as a Guarantor under its Guarantee shall not exceed 120% of the aggregate amount of the Notes.

As a result, each of the Guarantors' liability under their respective Notes Guarantee could be materially reduced or eliminated depending upon the amount of its obligations and pursuant to applicable laws. For more information, see "*Description of the Notes—The Notes Guarantees*" and "*Certain Italian Law Considerations in Relation to Guarantees and Security Interests and Certain Other Additional Italian Legal Considerations*".

Enforcing your rights as a holder of the Notes and the Guarantees or the Notes Collateral across multiple jurisdictions may prove difficult.

The Issuer and IMA Bidco are incorporated under the laws of Italy. The Notes Collateral includes, and following the Issue Date, will include, security interests granted under the laws of this jurisdiction and, following certain events, may include security interests granted under the laws of other jurisdictions. Your rights under the Notes, the Guarantees and the Notes Collateral are likely to be subject to insolvency and administrative laws of several jurisdictions and there can be no assurance that you will be able to effectively enforce your rights in such complex proceedings. In addition, the multi-jurisdictional nature of enforcement over the Notes Collateral may limit the realizable value of the Notes Collateral.

The insolvency, administration and other laws of the jurisdiction of organization of the Issuer and the Guarantor may be materially different from, or conflict with, each other and with the laws of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest, the duration of proceeding and preference periods. The application of these laws, and any conflict between them, could call into question whether, and to what extent, the laws of any particular jurisdiction should apply, adversely affect your ability to enforce your rights under the Guarantees and the security documents in these jurisdictions or limit any amounts that you may receive. See "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Law Considerations*".

The ability of the Security Agent to enforce certain of the Notes Collateral may be restricted by Italian law or subject to certain limitations or defenses that may adversely affect their validity and enforceability.

Applicable law requires that a security interest in certain assets can only be properly perfected and its priority retained through certain actions undertaken by the secured party. The liens in the Notes Collateral securing the Notes may not be perfected with respect to the claims of the Notes if the Security Agent or the Trustee, acting through the Security Agent, is not able to take the actions necessary to perfect any of these liens on or prior to the Issue Date. The Issuer and the Guarantors have limited obligations to assist the Security Agent or the Trustee, acting through the Security Agent, in perfecting the holders of the Notes' security interest in specified Notes Collateral. The Trustee of the Notes and the Security Agent will not monitor, and there can be no assurance that the Issuer will inform such Trustee or the Security Agent of the future acquisition of property and rights that should constitute Notes Collateral, and that the necessary action will be taken to properly create and perfect the security interest in such after-acquired property and rights. Such failure may result in such security interest being created in such property or rights or in the priority of such security interest in favor of the Notes against third parties being adversely affected.

Furthermore, the ability of the Security Agent to enforce on certain of the Notes Collateral may be limited by mandatory provisions of Italian law and may be subject to certain statutory limitations and defenses or to limitations contained in the terms of the security documents designed to ensure compliance with applicable statutory requirements.

Under Italian law, the beneficiary of a security interest must be clearly identified and indicated in the relevant security document. It is uncertain and untested in the Italian courts whether, under Italian law, security can be created and perfected (i) in favor of creditors (such as the holders of the Notes) which are neither directly parties to the relevant security documents nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries; and (ii) in favor of the Trustee, since there is no established concept of "trust" or "trustee" under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of the Trustee as agent for holders of the Notes under security interests granted over Italian assets is debatable under Italian law. In particular, even though trusts governed by foreign jurisdictions are recognized under Italian law, there are still doubts as to the validity of a trust when it does not comply with Italian law provisions governing rights in rem (*diritti reali*), security interests or when the trust is deemed to pursue a scope that does not deserve protection in light of the general principles of Italian law; to the Issuer's knowledge, similar trust arrangements have never been tested in Italian courts and therefore there might be risks regarding the enforceability of the Notes Collateral insofar as it relates to such trust arrangements in the event that they are not upheld.

Given the above and considering that the holders of the Notes may not be direct parties to the Security Documents, there is a risk that an Italian court may determine that the holders of the Notes who are not identified in the relevant security documents are not secured by the security interests created under the Security Documents and/or may not be able to validly enforce such security interests.

To address the above potential issue, the Notes Collateral will be created in favor of the Security Agent acting in its capacity as agent with representative powers (*mandatario con rappresentanza*) of the secured creditors and as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code.

In bond issuances made by Italian joint stock companies (*società per azioni*), pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code (introduced by Law Decree No. 133/2014, as converted by Law No. 164 of November 11, 2014), security interests can be created in favor of a representative (*rappresentante*) of the holders of the Notes who will then be authorized to enforce them on behalf of the holders of the Notes. However, there is no case law on how such Italian Civil Code provision may be applied to security interests created in accordance therewith in connection with a bond issuance by an Italian entity and furthermore there is not even any guidance or available interpretation on how such a new provision may be applied to security interests created to secure bond issuances made by a non-Italian entity.

In addition, notwithstanding the position under Italian law that the transfer of an underlying debt obligation implies the automatic transfer of the relevant security interest, the abovementioned risk of unenforceability of the Notes Collateral located in Italy applies, *inter alia*, to any person acquiring a Note in relation to which the relevant perfection formalities acknowledging its status as a secured creditor are not perfected at the time of the enforcement. Moreover, under Italian law, claims of certain categories of creditors (*creditori privilegiati*) are given statutory priority in relation to the proceeds of a debtor's property in respect to the claims of other creditors. Furthermore, in the absence of precedent case law, it is also untested and debated whether after a merger pursuant to Article 2501-*bis* of the Italian civil code any security interests granted on the target's assets could be considered as falling within the scope of Italian financial assistance provisions. See "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Considerations*".

The security interests in the Notes Collateral will not be granted directly to the holders of the Notes.

The security interests in the Notes Collateral that will secure the obligations of the Issuer under the Notes offered hereby and the obligations of the Guarantors under the Guarantees, respectively, will not be granted directly to the holders of the Notes but will rather be granted in favor of the Security Agent (in its capacity as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code) and of other relevant creditors. The Indenture and the Intercreditor Agreement each provide that only the Security Agent shall have the right to enforce on the relevant Notes Collateral. As a consequence, holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Notes Collateral securing the Notes, except through the Security Agent (subject to the provisions of the Indenture and the Intercreditor Agreement).

The holders of the Notes may not control certain decisions regarding the Notes Collateral.

Pursuant to the Intercreditor Agreement, one or more common security agents will serve as the Security Agent for the secured parties under the Revolving Credit Facility, the Guarantee Facility and certain hedging obligations with regard to the Notes Collateral (as applicable). The Intercreditor Agreement provides that the Security Agent will, subject to certain limited exceptions, act to enforce the security interests in the Collateral and take instructions from the relevant secured creditors in respect of the Collateral only at the direction of the "instructing group".

Subject to certain exceptions described below and in further detail in the section entitled "*Description of Certain Financing Arrangements—Intercreditor Agreement*", among other things, the "majority senior secured creditors" (generally, creditors representing the simple majority of, among other things, the outstanding principal amount under the Notes and any pari passu secured indebtedness) will constitute an instructing group and will have the right to instruct the Security Agent as to the enforcement of the

Collateral, provided that such instructions are consistent with the "enforcement principles" set forth in the Intercreditor Agreement. If, however:

- the majority senior secured creditors have not made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue within three months of the initial enforcement notice or the Super Senior Discharge (as defined in the Intercreditor Agreement) has not occurred within six months of the initial enforcement notice, the Majority Super Senior Creditors (as defined in the Intercreditor Agreement) shall have the right to provide instructions, until the Super Senior Discharge Date (as defined in the Intercreditor Agreement) has occurred; or
- if an Insolvency Event (as defined in the Intercreditor Agreement) is continuing, the Super Senior Creditors shall have the right to provide instructions, until the Super Senior Discharge Date (as defined in the Intercreditor Agreement) has occurred; or
- if the majority senior secured creditors have not made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue and the Majority Super Senior Creditors (as defined in the Intercreditor Agreement) (x) determine in good faith that a delay could reasonably be expected to have a material adverse effect on the Security Agent's ability to enforce the transaction security or on the realization of proceeds and (y) deliver instructions they reasonably believe is consistent with the enforcement principles before the Security Agent has received any instructions from the Majority Senior Secured Creditors (as defined in the Intercreditor Agreement) shall have the right to provide instructions, until the Super Senior Discharge Date (as defined in the Intercreditor Agreement) has occurred.

In addition, if neither the majority senior secured creditors nor the Majority Super Senior Creditors provide instructions or have instructed the Security Agent not to enforce, in limited circumstances, Majority Second Lien Creditors (as defined in the Intercreditor Agreement) or Majority Topco Creditors (as defined in the Intercreditor Agreement) may have certain enforcement rights.

The foregoing security enforcement arrangements could be disadvantageous to the holders of the Notes in a number of respects. Disputes may occur between the holders of the Notes and creditors under the Revolving Credit Facility, the Guarantee Facility, the counterparties to the relevant hedging obligations (if any) or holders of any permitted additional indebtedness as to the appropriate manner of pursuing enforcement remedies and strategies with respect to the Notes Collateral securing such obligations. In such an event, the holders of the Notes will be bound by any decisions of the instructing group, which may result in enforcement action in respect of the relevant collateral, whether or not such action is approved by the holders of the Notes or may be adverse to such holders of Notes. The Intercreditor Agreement also provides that the enforcement sale of any Notes Collateral will be subject to, as a condition to the release of any claims of any other indebtedness secured by such collateral under the Intercreditor Agreement, certain protections intended to maximize the cash recovery from an enforcement sale. The creditors under the Revolving Credit Facility, the Guarantee Facility, the counterparties to certain hedging obligations related thereto (if any) or the holders of any permitted additional indebtedness may have interests that are different from the interest of holders of the Notes and they may elect to pursue their remedies under the relevant security documents at a time when it would otherwise be disadvantageous for the holders of the Notes to do so.

If we incur substantial additional indebtedness which may be secured by security interests in the Notes Collateral, the holders of the Notes may be diluted in the determination of the requisite majority of pari passu creditors for the purposes of instructing the Security Agent. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

There are circumstances other than repayment or discharge of the Notes under which the Notes Collateral will be released automatically without your consent or the consent of the Trustee.

Under various circumstances, the Notes Collateral will be released automatically, including:

- in connection with any sale or other disposition of charged property to (a) any person that is not the Issuer or a restricted subsidiary (but excluding any transaction subject to "*Description of the Notes—Certain Covenants—Merger and Consolidation* "), if such sale or other disposition does not violate the covenant described under "*Description of the Notes—Certain*

Covenants—Limitation on Sales of Assets and Subsidiary Stock" and is otherwise not prohibited under the Indenture or (b) any Restricted subsidiary; *provided* that this clause (1)(b) shall not be relied upon in the case of a transfer of Capital Stock or obligations under any structural intercompany receivables to a restricted subsidiary (except, in the case of accounts receivable, to a securitization subsidiary) unless the relevant property and assets (to the extent already secured in favor of the Notes) remain subject to, or otherwise become subject to a lien, or substantially equivalent liens are granted, in favor of the Notes following such transfer, sale or disposal;

- in the case of a Guarantor that is released from its Notes Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;
- as described under "*Description of the Notes—Amendments and Waivers*";
- upon payment in full of principal, interest and all other obligations in respect of the Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in "*Defeasance*" and "*Satisfaction and Discharge*";
- if the Issuer designates any restricted subsidiary to be an Unrestricted subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and capital stock, of such Unrestricted subsidiary;
- upon the contribution of any claim of the Issuer or any Restricted subsidiary, which is subject to a lien in favor of the Notes, to the equity of the Issuer or any of the restricted subsidiaries to the extent such equity is, or will promptly following release of the security interest be, subject to a lien in favor of the Notes; *provided* that such contribution is not prohibited by the Intercreditor Agreement;
- in accordance with the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement, including without limitation, as described under "*Description of the Notes—IPO Debt Pushdown*";
- upon the occurrence of a covenant suspension event or by written notice from the Issuer to the Trustee upon the Notes achieving an investment grade status; *provided* that if a reversion date occurs, subject to the Agreed Security Principles and the limitations described in this Offering Memorandum, the Issuer will use its commercially reasonable efforts for a lien of substantially equivalent value to such lien that was released in reliance on this clause to be re-taken to the extent that the Group continues to own such assets that had constituted charged property on such date;
- in connection with (i) a transaction not prohibited by the Indenture pursuant to which such security provider is being liquidated, wound up, or dissolved (or pursuant to which it will otherwise cease to exist), (ii) a transaction permitted by the covenant as described under the caption "*Description of the Notes—Certain Covenants—Merger and Consolidation*," (iii) the Company Merger, Delisting Merger or Debt Push Merger, or (iv) a permitted reorganization; or
- as would not be prohibited under "*Description of the Notes—Certain Covenants—Impairment of Security Interest*" or otherwise would be permitted in accordance with the Indenture.

See "*Description of the Notes—Security—Release of Liens*". Unless consented to by the holders of the Notes (and subject to certain exceptions), the Intercreditor Agreement provides that the Security Agent shall not, in an enforcement scenario, exercise its rights to release the security interests in the Notes Collateral unless, among other things, the relevant sale or disposal is made:

- for consideration of which all or substantially all of which is in the form of cash; and
- pursuant to a public auction, or if a fairness opinion has been obtained from an internationally recognized investment bank

The Intercreditor Agreement also provides that the Notes Collateral may be released and repossessed in connection with the refinancing of certain indebtedness, including the Notes and the Indenture will provide that the Notes Collateral may be released and repossessed in connection with any of the Mergers. In Italy, such a release and repossessing of collateral may give rise to the start of a new hardening period in respect of the Notes Collateral. Under certain circumstances, other creditors, insolvency administrators or representatives or courts could challenge the validity and enforceability of the grant of the Notes Collateral. Any such challenge, if successful, could potentially limit your recovery in respect of the Notes Collateral and thus reduce your recovery under the Notes. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Notes*".

Your rights in the Notes Collateral may be adversely affected by the failure to perfect security interests in the Notes Collateral.

Under certain applicable law, a security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor of the security including registration with a relevant court or other authority. The security interests on the Notes Collateral may not be perfected with respect to the claims of the Notes if the Issuer, or the Security Agent, fails or is unable to take the actions necessary to perfect any of these security interests. Furthermore, it should be noted that neither the Trustee nor the Security Agent shall have any obligation to take any steps or action to perfect any of these security interests. In addition, certain applicable law requires that certain property and rights acquired after the grant of a general security interest be perfected.

For example, under Italian law, a security interest in certain tangible and intangible assets can only be properly perfected and thus retain its priority if certain actions are undertaken by the secured party and/ or the grantor of the security interest. The security interests in the Notes Collateral may not be perfected with respect to the claims of the Notes if the Issuer or the Security Agent fails or are unable to take the actions required to perfect the security interest. Such failure may result in the invalidity and/ or ineffectiveness of the relevant security interest in the Notes Collateral or adversely affect the priority of such security interest in favor of third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Notes Collateral.

The Trustee and Security Agent will not monitor, and the Issuer may not comply with its obligations to inform the Trustee or the Security Agent of any future acquisition of property and rights by the Issuer, and therefore the necessary action may not be taken to properly perfect the security interest in such after-acquired property or rights. Such failure may result in the invalidity of the relevant security interest in the Notes Collateral or adversely affect the priority of such security interest in favor of the Notes against third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Notes Collateral. See "*Certain Insolvency and Enforceability Considerations*".

The granting of the security interests in the Notes Collateral may create hardening periods for such security interests in accordance with Italian law.

The granting of new security interests and the entering into any deeds of acknowledgment, confirmation and/or extension/amendment of the security documents creating the Collateral in connection with the issuance of the Notes may create hardening periods for such security interests in Italy. The applicable hardening period for these new security interests will run from the moment each new security interest has been granted, perfected, amended, confirmed or recreated. In each instance, if the security interest granted, perfected, amended, confirmed or recreated were to be enforced before the end of the relevant hardening period applicable in Italy, such security interest may be subject to claw back and/or it may not be possible to enforce it. In addition, the granting of a shared security interest to secure future indebtedness may restart or reopen hardening periods. See "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Law Considerations*".

The same rights also apply following the Issue Date in connection with the accession of further subsidiaries as additional Guarantors and the granting of security interest over their relevant assets and equity interests for the benefit of holders of the Notes.

The Issuer may not have sufficient funds or may be unable to arrange for additional financing to pay amounts that might become due and payable upon the occurrence of an event of default, at final maturity or upon a change of control.

At final maturity of the Notes, or in the event of acceleration of the Notes following an event of default, the entire outstanding principal amount of the Notes will become due and payable. In addition, upon the occurrence of certain events constituting a change of control, holders of the Notes may in certain circumstances require the Issuer to make an offer to purchase the Notes at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest and additional amounts, if any, to the purchase date. See "*Description of the Notes—Change of Control*". The Issuer may not have sufficient funds or may be unable to arrange for additional financing to pay these amounts when they become due.

The Issuer's failure to repay holders tendering Notes upon the occurrence of a change of control event would result in an event of default under the Notes. If a change of control event were to occur, the Issuer cannot assure you that the Issuer or any successor entity would have sufficient funds available at such time to pay the purchase price of the outstanding Notes or that the restrictions in the Revolving Credit Facility Agreement, the Guarantee Facility, the Intercreditor Agreement or the Issuer's other then-existing contractual obligations would allow the Issuer to make such required repurchases. A change of control may result in an event of default under, or acceleration of, the Revolving Credit Facility, the Guarantee Facility, the Notes and other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under the Revolving Credit Facility, the Guarantee Facility and other indebtedness, even if the change of control itself does not. The ability of the Issuer to receive cash from its subsidiaries to allow it to pay cash to the holders of the Notes following the occurrence of a change of control may be limited by our then existing financial resources. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control occurs at a time when the Issuer's subsidiaries are prohibited from providing funds to the Issuer for the purpose of repurchasing the Notes, the Issuer's subsidiaries may seek the consent of the lenders under such indebtedness to the purchase of the Notes or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the Issuer will remain prohibited from repurchasing any Notes. In addition, the Issuer expects that it would require third-party financing to make an offer to repurchase the Notes upon a change of control. The Issuer cannot assure you that the Issuer would be able to obtain such financing.

Any failure by the Issuer to offer to purchase the Notes would constitute a default under the Indenture, respectively, which would, in turn, constitute a default under the Revolving Credit Facility, the Guarantee Facility and certain other indebtedness. See "*Description of the Notes—Change of Control*".

In addition, the occurrence of certain events that might otherwise constitute a change of control under the Indenture will be deemed not be a change of control if at the time our consolidated net leverage ratio is less than certain specified levels. See "*Description of the Notes—Change of Control*" and "*Description of the Notes—Certain Definitions—Specified Change of Control Event*."

The definition of "change of control" contained in the Indenture includes a disposition of all or substantially all the assets of the Issuer and its restricted subsidiaries taken as whole. Although there is a limited body of case law interpreting the phrase "all or substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" the assets of the Issuer and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

The terms and conditions of the Notes may be amended with the vote of 75% of the aggregate principal amount of the outstanding Notes.

The Indenture contains provisions for calling meetings of the holders of the Notes to consider matters affecting their interests generally. As set forth in "*Description of the Notes—Meeting of Holders of Notes*", the majority required to pass an extraordinary resolution at any meeting of noteholders will be one or more persons holding or representing at least 75% of the aggregate principal amount of the outstanding Notes. These provisions permit defined majorities (50% or 75%), depending on the nature of the resolution to bind all holders of the Notes, including noteholders who did not attend and vote at the relevant meeting, and noteholders who voted in a manner contrary to the relevant majority. In particular, under the Indenture, an extraordinary resolution may include, among other things, proposals to reduce the rate or change the time for payment of principal or interest in respect of the Notes, to change the date on which any Note may be subject to redemption or reduce the redemption price, to change the currency of payments under the Notes and/or to change the majority required to pass a resolution, and change the amendment provisions. These and other changes may adversely your rights as a holder of the Notes and may have a material adverse effect on the market value of the Notes.

All meetings of holders of the Notes will be held in accordance with Italian applicable laws and regulations. Under Italian law, the vote required to pass a resolution by a meeting of the holders of the Notes will be at least two-thirds of the aggregate principal amount of the Notes so present or represented at such meeting (which shall be, in the case of a first meeting, more than 50% of the outstanding Notes or, in the case of a second meeting, more than 1/3 of the outstanding Notes). Furthermore, in a meeting of holders of the Notes, certain matters regarding the amendments of the terms and conditions of the Notes could be approved by a resolution passed by one or more persons holding or representing at least one-half of the aggregate principal amount of the outstanding Notes, as set out in Article 2415, paragraph 3, of the Italian Civil Code. Moreover, the Indenture provides for some matters in respect of which an amendment, supplement or waiver may only be approved with the consent of holders of the Notes of at least 75% of the outstanding Notes. The imposition of a super-majority requirement is untested under Italian law and may be challenged by the holders of the Notes, the Issuer or others, and if challenged, might not be upheld by an Italian court, with the consequences that the super-majority voting threshold would be reduced to thresholds provided for under the Italian Civil Code. For more information on the required majorities under Italian law, see "*Description of the Notes—Meetings of Holders of Notes.*"

Certain actions in respect of defaults taken under the Indenture by beneficial owners with short positions in excess of their interests in the Notes will be disregarded.

By acceptance of the Notes, each holder of Notes agrees, in connection with certain notices of Default (as defined under "*Description of Notes*"), notices of acceleration or instructions to the Trustee to provide certain notices of Default, notices of acceleration or take any other action (a "**Noteholder Direction**"), to (i) deliver a written representation to the Issuer and the Trustee that such holder is not (or, in the case such holder is Euroclear, Clearstream, DTC or their respective nominee, that such holder is being instructed solely by beneficial owners that are not) Net Short (as defined under "*Description of Notes*") and (ii) provide the Issuer with such other information as the Issuer may reasonably request from time to time in order to verify the accuracy of such holder's representation within five Business Days of request therefor. Holders of the Notes, including holders that have hedged their exposure to the Notes in the ordinary course and not for speculative purposes, may not be able to make such representations or provide the requested additional information. These restrictions may impact a holder's ability to participate in Noteholder Directions.

An active trading market may not develop for the Notes, which may limit your ability to sell the Notes.

The Notes are new securities for which there is currently no established trading market. Accordingly, there can be no assurances as to the development or liquidity of any market for the Notes.

Although the Issuer has applied to list the Notes on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market, the Issuer cannot assure you that the Notes will become or will remain listed on that exchange or any other securities exchange. In addition, the Issuer cannot assure you as to the liquidity of any market that may develop for the Notes, the ability of holders of the Notes to sell them or the price at which the holders of the Notes may be able to sell them. The liquidity of any market for the Notes will depend on the number of holders of the Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and the Issuer's own financial condition, performance and prospects, as well as recommendations by securities analysts.

Historically, the market for non-investment grade debt securities, such as the Notes, has been subject to disruptions that have caused substantial price volatility. If a market for the Notes were to develop, such a market may be subject to similar disruptions. The Issuer has been informed by the Initial Purchasers that they intend to make a market for the Notes after this Offering is completed. Nevertheless, the Initial Purchasers are not obligated to do so and may cease their market-making activity at any time without notice. In addition, such market-making activity will be subject to limitations imposed by the Securities Act and other applicable laws and regulations. As a result, the Issuer cannot assure you that an active trading market for the Notes will develop or, if one does develop, that it will be maintained.

Investors may face foreign exchange risks by investing in the Notes.

The Notes will be denominated and payable in euros. If investors measure their investment returns by reference to a currency other than euro, an investment in the Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which investors measure the return on their investments due to of economic, political and other factors over which the Issuer has no control. Depreciation of the euro against the currency by reference to which investors measure the return on their investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to investors when the return on the Notes is translated into the currency by reference to which the investors measure the return on their investments. Investments in the Notes by U.S. Holders (as defined in "*Certain Tax Considerations—Certain U.S. Federal Income Tax Considerations*") may also have important tax consequences as a result of foreign exchange gains or losses, if any. See "*Certain Tax Considerations—Certain U.S. Federal Income Tax Considerations*".

Despite the measures taken by countries in the Eurozone to alleviate credit risk, concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual Eurozone member states. These and other concerns could lead to the reintroduction of individual currencies in one or more member states, or, in more extreme circumstances, the possible dissolution of the euro entirely. Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations would be determined by laws in effect at such time. The Issuer cannot assure you that the official exchange rate at which the Notes may be redenominated would accurately reflect their value in euro. These potential developments, or market perceptions concerning these developments and related issues, could adversely affect the value of the Notes.

Fraudulent conveyance and similar laws may adversely affect the validity and enforceability of the Notes, the Guarantees and the Notes Collateral.

Under Italian law, in the event that the Issuer or a Guarantor enters into insolvency proceedings, the security interests granted to secure the Notes and the Guarantees could be subject to potential challenges by an insolvency administrator or by other creditors under the rules of avoidance or clawback of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or clawback of transactions made by the debtor during a certain legally specified period (the "*suspect period*"). The avoidance may relate to (i) transactions made by the debtor within a suspect period of one year prior to the declaration of the insolvency at below market value (*i.e.*, to the extent the asset or obligation given or undertaken exceeds by one-quarter the value of the consideration received by the debtor), or involving unusual means of payment (*e.g.*, payment in kind) or security taken after the creation of the secured obligations, whereby the creditor must prove its lack of knowledge of the state of insolvency of the relevant entity in order to rebut any clawback action, security granted in order to secure a debt due and payable, and (ii) payments of due and payable obligations, transactions at arm's length or security taken simultaneously to the creation of the secured obligations during the suspect period of six months prior to the declaration of the insolvency, whereby the bankruptcy receiver must prove that the creditor was aware of the state of insolvency of the relevant entity in order to enforce any clawback action. See "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Law Considerations—Fraudulent Transfer Provisions of General Applicability Including During Bankruptcy*" for further information.

Under Article 64 of the Italian Bankruptcy Law, all transactions without consideration are ineffective *vis-à-vis* creditors if entered into by the debtor in the two-year period prior to the insolvency declaration. In addition, under Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are ineffective *vis-à-vis* creditors, if made by the bankrupt entity in the two-year period prior to insolvency. In addition, the EU Insolvency Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the European Union.

If challenged successfully, the security interest may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest is voided, the holders of the Notes could lose the benefit of the security interest and may not be able to recover any amounts under the related security documents.

You may be unable to recover in civil proceedings for U.S. securities laws violations.

The Issuer and the majority of its subsidiaries are organized outside the United States. All of the directors and executive officers of the Issuer are non-residents of the United States. Although the Issuer will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on these directors and executive officers. In addition, as all the assets of the Issuer and its subsidiaries and those of its directors and executive officers are located outside of the United States, you may be unable to enforce against them judgements obtained in the U.S. courts predicated upon civil liability provisions of the federal securities laws of the United States.

Moreover, in light of decisions of the U.S. Supreme Court, actions of the Issuer may not be subject to the civil liability provisions of the federal securities laws of the United States.

The United States is not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments with Italy, other than arbitral awards, rendered in civil and commercial matters with Italy. There is, therefore, doubt as to the enforceability of civil liabilities based upon U.S. federal securities laws in an action to enforce a U.S. judgment in Italy. In addition, the enforcement in Italy of any judgment obtained in a U.S. court based on civil liabilities, whether or not predicated solely upon U.S. federal securities laws, will be subject to certain conditions. There is also doubt that a court in Italy would have the requisite power or authority to grant remedies sought in an original action brought in Italy on the basis of U.S. federal securities laws violations. See "*Service of Process and Enforcement of Judgments*".

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the Notes. The credit ratings address the Issuer's ability to perform its obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency in the future if, in its judgment, circumstances so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of the Issuer's financings and could adversely affect the value and trading of the Notes.

The transfer of the Notes is restricted, which may adversely affect their liquidity and the price at which they may be sold.

The Notes are being offered and sold pursuant to an exemption from registration under the U.S. Securities Act and applicable state securities laws of the United States. The Notes have not been and will not be registered under the U.S. Securities Act or any state securities laws. Therefore, you may not transfer or sell the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws, or pursuant to an effective registration statement, and you may be required to bear the risk of your investment in the Notes for an indefinite period of time. The Notes and the Indenture contain provisions that restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exceptions, under the U.S. Securities Act. In addition, by acceptance of delivery of any Notes, the holder thereof agrees on its own behalf and on behalf of any investor accounts for which it has purchased the Notes that it shall not transfer the Notes in an aggregate principal amount of less than €100,000.

Furthermore, the Issuer has not registered the Notes under any other country's securities laws and do not have any intention to do so. It is your obligation to ensure that your offers and resales of the Notes within the United States and other countries comply with applicable securities laws. See "*Transfer Restrictions*".

The Notes will initially be held in book-entry form and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

Unless and until definitive Notes are issued in exchange for book-entry interests in the Notes (which will only occur in very limited circumstances), owners of the book-entry interests will not be considered owners or holders of Notes. The common depositary (or its nominee) for the accounts of Euroclear and Clearstream will be the registered holder of the Notes. After payment to the common depositary, the Issuer, the Trustee, the Transfer Agent, the Registrar and the Paying Agent will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear or Clearstream Banking, as applicable, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder under the Indenture. See "*Book-Entry, Delivery and Form*".

Unlike holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon the Issuer's solicitations for consents or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear or Clearstream or, if applicable, from a participant. The Issuer cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear or Clearstream. The Issuer cannot assure you that the procedures to be implemented through Euroclear or Clearstream will be adequate to ensure the timely exercise of rights under the Notes.

The Notes may not become, or remain, listed on the Official List of the Luxembourg Stock Exchange.

Although an application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange, the Issuer cannot assure you that the Notes will become, or remain, listed. If the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange and the Issuer can no longer maintain such listing or if it becomes unduly burdensome to make or maintain such listing, the Issuer may cease to make or maintain such listing on the Official List of the Luxembourg Stock Exchange; provided, however, that it will use its commercially reasonable efforts to obtain and maintain the listing of the Notes on another "recognized stock exchange", although there can be no assurance that the Issuer will be able to do so. If the Notes will not satisfy the listing requirement of Decree No. 239/1996, the Notes will not be eligible to benefit from the exemption from the requirement to apply withholding tax.

In addition, although no assurance is made as to the liquidity of the Notes as a result of listing the Notes on the Official List of the Luxembourg Stock Exchange or another recognized stock exchange in accordance with the Indenture, failure to obtain approval for the listing or the delisting of the Notes from the Official List of the Luxembourg Stock Exchange or another recognized stock exchange, as applicable, may have a material adverse effect on a holder's ability to resell Notes in the secondary market.

The Indenture will not be qualified under the U.S. Trust Indenture Act of 1939, as amended.

The Indenture with respect to the Notes offered hereby will not be required to, and will not be, qualified under the U.S. Trust Indenture Act of 1939, as amended (the "TIA") and will not incorporate or include and will not be subject to any of the provisions of the TIA. Consequently, the holders of Notes are not be entitled to the protections provided under the TIA to holders of debt securities issued under a qualified indenture, including those respecting preferential collections by the trustee or conflicting interests of the trustee. See "*Description of the Notes*."

USE OF PROCEEDS

The gross proceeds from the offering of the Senior Secured Floating Rate Notes will be €450.0 million and the gross proceeds from the offering of the Senior Secured Fixed Rate Notes will be €830.0 million. On the Issue Date, (i) a portion of the proceeds in the amount of the outstanding Senior Secured Bridge Facility (which was approximately €450.0 million as of the date of this Offering Memorandum, but which may increase prior to the Issue Date), plus certain interest, fees and expenses, shall be repaid to the lenders under the Senior Secured Bridge Facility Agreement and to repay certain other applicable amounts and (ii) an amount equal to approximately €830.0 million less certain fees payable with respect to the Offering and the Transactions (which may reduce prior to the Issue Date to the extent used to pay additional amounts under (i)) of the gross proceeds of the offering of the Notes shall be deposited into the Escrow Accounts. Amounts may then be released from the Escrow Accounts in order to (i) make over-the-counter purchases of Outstanding Company Shares by IMA Bidco (if any); (ii) purchase shares under the MTO Acquisition, including purchase shares under the Sell-Out or Squeeze-Out Acquisition (or to fund the payment of any purchases pursuant to Withdrawal Rights); (iii) repay existing debt of, and funding of certain net working capital and cash and cash equivalents on balance sheet of, the Company and its subsidiaries; and (iv) pay any costs, fees and/or expenses related to the Transactions.

The following table illustrates the estimated sources and uses of funds relating to the Transactions, assuming 100% of the Company's shares are acquired by IMA Bidco. Actual amounts are subject to adjustment and may differ significantly from estimated amounts at the time of the consummation of the Transactions, depending on several factors, including (i) the actual number of Outstanding Company Shares purchased over-the-counter, (ii) the number of Outstanding Company Shares purchased in the MTO, (iii) developments in working capital, (iv) change in cash reserves of the Company, (v) unpaid interest under the Senior Secured Bridge Facility, (vi) differences in our estimates of and actual costs, fees and/or expenses and (vii) the timing of the Completion Date. The Senior Secured Bridge Facility, under which we have drawn approximately €450.0 million as of the date of this Offering Memorandum to fund over-the-counter purchases by IMA Bidco of 6,508,805 Outstanding Company Shares and to pay transaction costs in relation to the Transactions, is not reflected in the table below as it is being fully refinanced by the proceeds of the Notes.

See "*Risk Factors—Risks Related to the Presentation of Financial Information—The Offering Memorandum presents pro forma and other financial information of the Company and the Issuer pro forma for the Transactions and assuming 100% purchase of all Company shares whereas the Issuer may not acquire 100% of the Company shares*."

Sources of funds (in millions of Euros)		**Uses of funds (in millions of Euros)**	
Notes offered hereby(1)	1,280.0	Acquisition of Company Shares(4)	2,931.2
Equity Contribution(2)	2,305.2	Repayment of gross existing indebtedness of the Company(5)	546.5
Cash on balance sheet(3)	61.0	Funding of net working capital and replacement of cash on balance sheet(6)	39.5
		Funding of cash and cash equivalents on balance sheet(7)	55.1
		Estimated fees and expenses relating to the Transactions(8)	74.0
Total sources	**3,646.2**	**Total uses**	**3,646.2**

(1) Represents the aggregate principal amount of the Notes.

(2) Represents the equity contribution to the Issuer by the sellers and BC Partners, in the form of (i) €1,516.1 million in Outstanding Company Shares owned by the sellers and BC Partners and contributed through intermediate holding companies to the Issuer and ultimately to IMA Bidco as of the date of this Offering Memorandum (22,295,194 Outstanding Company Shares valued at €68.00 each), and (ii) a cash contribution of €789.1 million (including the proceeds of up to €310.0 million in principal amount of payment-in-kind secured notes of a parent entity which mature after the Notes), of which approximately €189.0 million has been contributed as of the date of this Offering Memorandum.

(3) Represents the cash and cash equivalents on balance sheet expected to be available immediately prior to the Completion Date, calculated as (i) €167.1 million in cash and cash equivalents (including other cash equivalents) of the Company as of September 30, 2020, plus (ii) €114.5 million in cash and cash equivalents which is expected to be generated from operations of the Company since October 1, 2020 or contributed through equity in order to (together with the other sources of funds) fund the Transactions, minus (iii) €220.1 million in current payables to banks (including current accounts, advances on domestic transactions, advances on export transactions, and advances on export transactions to be carried out) outstanding as of September 30, 2020, and €0.5 million in other debt of the Company outstanding as of September 30, 2020, that are expected to be repaid prior to the Completion Date using cash and cash equivalents from (i) and (ii) above. Depending on operational requirements and the timings of our working capital repayment cycle, we may not be able to repay such debt (in part or full) prior to the Completion Date. If such debt is not repaid, we expect the cash and cash equivalents on the balance sheet immediately prior to the Completion Date to be correspondingly higher. The cash and cash equivalents on the balance sheet that will be available prior to the Completion Date, is subject to significant uncertainty, and may vary depending on various factors. See "*Summary—Current Trading*."

(4) Represents the equity value of all the total Outstanding Company Shares of 43,105,509 (net of treasury shares) valued at €68.00 each. Of such Outstanding Company Shares, as of the date of this Offering Memorandum, 22,295,194 have been contributed by the sellers and BC Partners through intermediate holding companies to the Issuer and ultimately to IMA Bidco, and 6,508,805 have been purchased by IMA Bidco in over-the-counter purchases 301,510 (€972.5 million, valued at €68.00 each) are the remaining shares that need to be acquired to ensure that IMA Bidco owns 100% of the Outstanding Company Shares.

(5) Represents the repayment of all the existing indebtedness of the Company (excluding finance leases), calculated as (i) the outstanding indebtedness of the Company (excluding lease liabilities) of €767.1 million as of September 30, 2020, minus (ii) €220.1 million in current payables to banks (including current accounts, advances on domestic transactions, advances on export transactions, and advances on export transactions to be carried out) outstanding as of September 30, 2020, and €0.5 million in other debt of the Company outstanding as of September 30, 2020, that are expected to be repaid prior to the Completion Date using cash and cash equivalents on the balance sheet prior to the Completion Date.

(6) Represents the funding of expected net working capital requirements at the Completion Date.

(7) Represents the cash and cash equivalents that are expected to remain on balance sheet at the Completion Date.

(8) Represents estimated expenses in connection with the Offering, including advisory and other fees, transaction costs, financing costs, original issue discount and professional expenses related to the Offering and the Notes. These fees and expenses have been estimated as of the date of this Offering Memorandum and may differ from the actual amount. Of such amounts approximately €31.0 million have been paid or funded as of the date of this Offering Memorandum.

CAPITALIZATION

The following table sets forth the unrestricted cash and cash equivalents and consolidated capitalization as of September 30, 2020, (i) of the Company, on a consolidated basis, (ii) of the Company, on a consolidated basis, as adjusted for the (x) €114.5 million in cash and cash equivalents which is expected to be generated from operations of the Company since October 1, 2020 or contributed through equity in order to (together with the other sources of funds) fund the Transactions, and (y) the repayment of €220.1 million in current payables to banks (including current accounts, advances on domestic transactions, advances on export transactions, and advances on export transactions to be carried out) outstanding as of September 30, 2020, and €0.5 million in other debt of the Company outstanding as of September 30, 2020, (collectively, the "**Funding and Repayment Transactions**") that are expected to be repaid prior to the Completion Date using cash and cash equivalents on the balance sheet and (iii) of the Issuer and its subsidiaries on an adjusted consolidated basis, as further adjusted for the Transactions assuming 100% of the Company's shares are acquired by IMA Bidco and all existing debt of the Company is repaid (other than finance leases). We believe that presenting the consolidated cash and cash equivalents and capitalization of the Issuer in this manner is the most meaningful way to present the financial position of the Issuer after giving effect to the Funding and Repayment Transactions and the Transactions as if they had occurred on September 30, 2020, given the Issuer is a holding company formed in connection with the Transactions with no revenue generating activities of its own and does not have any business operations, material assets or liabilities (other than those incurred in connection with its incorporation and the Transactions).

This table should be read in conjunction with "*Use of Proceeds*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Description of Certain Financing Arrangements*", "*Description of the Notes*" and the Consolidated Financial Statements and related notes included elsewhere in this Offering Memorandum.

See also "*Risk Factors—Risks Related to the Presentation of Financial Information—The Offering Memorandum presents pro forma and other financial information of the Company and the Issuer pro forma for the Transactions and assuming 100% purchase of all Company shares whereas the Issuer may not acquire 100% of the Company shares*."

	As of September 30, 2020				
	Company Actual	Adjustments for Funding and Repayment Transactions	Company As adjusted for Funding and Repayment Transactions	Adjustments for the Transactions and for the consolidation of the Company into the Issuer	Issuer As adjusted for the Transactions and the consolidation of the Company
			(In millions of Euro)		
Cash and cash equivalents (including other cash equivalents)	**167.1**	**(106.1)**[(1)]	**61.0**	**(5.9)**	**55.1**
Company debt					
Senior bond loan	146.2	—	146.2	(146.2)	—
Loans	400.3	—	400.3	(400.3)	—
Bank overdrafts and short/terms	220.1	(220.1)[(2)]	–	—	—
Lease liabilities	161.4	—	161.4	—	161.4
Other Debt of the Company	0.5	(0.5)[(2)]	—	—	—
Total Company debt	**928.5**	**(220.6)**[(2)]	**707.9**	**(546.5)**	**161.4**
Debt related to the Transactions					
Revolving Credit Facility	—	—	—	—	—
Guarantee Facility[(3)]	—	—	—	—	—
Notes offered hereby	—	—	—	**1,280.0**	**1,280.0**
Total debt related to the Transactions				**1,280.0**	1,280.0
Total debt	**928.5**	**(220.6)**	**707.9**	**733.5**	**1,441.4**
Shareholders' equity	536.6	— [(4)]	536.6[(4)]	**1,768,6**[(5)]	**2,305.2**
Total Shareholders' Equity	**536.6**	**—**	**536.6**	**1,768,6**	**2,305.2**
Total capitalization	**1,465.1**	**(220.6)**	**1,244.5**	**2,502.1**	**3,746.6**

(1) Represents the effect of (i) €114.5 million in cash and cash equivalents which is expected to be generated from operations of the Company since October 1, 2020 or contributed through equity in order to (together with the other sources of funds) fund the Transactions, and (ii) the repayment of €220.1 million in current payables to banks (including current accounts, advances on domestic transactions, advances on export transactions, and advances on export transactions to be carried out) (shown as Bank overdrafts and short/terms) outstanding as of September 30, 2020, and €0.5 million in other debt of the Company outstanding as of September 30, 2020, that are expected to be repaid prior to the Completion Date using cash and cash equivalents as part of the Funding and Repayment Transactions. Depending on operational requirements and the timings of our working capital repayment cycle, we may not be able to repay such debt (in part or full) prior to the Completion Date. If such debt is not repaid, we expect this adjustment to be correspondingly lower. The cash and cash equivalents on the balance sheet that will be available prior to the Completion Date, is subject to significant uncertainty, and may vary depending on various factors. See "*Summary—Current Trading*."

(2) Represents repayments that are expected to be repaid prior to the Completion Date using cash and cash equivalents as part of the Funding and Repayment Transactions. Depending on operational requirements and the timings of our working capital repayment cycle, we may not be able to repay such debt (in part or full) prior to the Completion Date.

(3) As of December 6, 2020, the Company had utilized €78.6 million under the Guarantee Facility.

(4) No adjustment has been made to the shareholders equity as a result of the Funding and Repayment Transactions. The actual impact on shareholders' equity of such transactions would depend on various factors, including, but not limited to, the amount of cash and cash equivalents contributed through equity for the purposes of funding the Transactions.

(5) Represents the equity contribution to the Issuer by the sellers and BC Partners, in the form of (i) €1,516.1 million in Outstanding Company Shares owned by the sellers and BC Partners and contributed through intermediate holding companies to the Issuer and ultimately to IMA Bidco as of the date of this Offering Memorandum (22,295,194 Outstanding Company Shares valued at €68.00 each), (ii) a cash contribution of €789.1 million (including the proceeds of up to €310.0 million in principal amount of payment-in-kind secured notes of a parent entity which mature after the Notes), of which approximately €189.0 million has been contributed as of the date of this Offering Memorandum (including €14,943 of cash and cash equivalents of the Issuer, on a standalone basis, outstanding as of September 30, 2020) and (iii) the elimination of the net equity of the Company of €536.6 million for consolidation into the Issuer. The equity contributions are measured at fair value as a consequence of the change of control of the Company. Please see "—*Use of Proceeds*."

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following summary consolidated financial information as of and for the years ended December 31, 2017, 2018 and 2019 was derived from the Consolidated Financial Statements. In the consolidated financial statements for the year ended December 31, 2018, the comparative income statement information for the year ended December 31, 2017 was restated to reflect the disposal of 60.0% of the investment in IMA Dairy & Food Holding GmbH, which occurred in 2018. The income statement information for the year ended December 31, 2017 presented herein is the restated financial information derived from the consolidated financial statements as of and for the year ended December 31, 2018. In the consolidated financial statements for the year ended December 31, 2019, the comparative income statement information for the year ended December 31, 2018 was restated, for comparative purpose, to reflect the recognition of capitalized costs as a deduction from operating costs instead of being classified in other revenue. The income statement information for the year ended December 31, 2018 presented herein is the restated financial information derived from the consolidated financial statements as of and for the year ended December 31, 2019. Summary consolidated financial information as of September 30, 2020 and for the nine months ended September 30, 2019 and 2020 was derived from the Unaudited Condensed Consolidated Interim Financial Statements. The Consolidated Financial Statements were prepared in accordance with IFRS and were audited by EY S.p.A. Interim results are not necessarily indicative of the results that may be expected for any other interim period nor are they indicative of results for a full year.

The unaudited consolidated statement of comprehensive income information and the other financial information presented for the twelve months ended September 30, 2020 have been derived by subtracting from the financial information of the 2019 audited consolidated financial statements the comparative financial information of the unaudited interim consolidated financial statements for the nine months ended September 30, 2019, and adding the financial information of the unaudited interim consolidated financial statements for the nine months ended September 30, 2020. The unaudited consolidated statement of comprehensive income information and the other financial information presented for the twelve months ended September 30, 2020 have been prepared for illustrative purposes only and are not necessarily representative of our results of operations for any future period or our financial condition at any future date. This data was prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of our financial reporting and has not been audited or reviewed.

Selected Consolidated Income Statement Information of the Company

	For the year ended December 31,			For the nine months ended September 30,		For the last twelve months ended September 30,
	2017 RESTATED	2018 RESTATED	2019	2019	2020	2020
			(€ millions)			
Revenue from contracts with customers	**1,320.2**	**1,500.4**	**1,595.5**	**1,008.3**	**1,015.8**	**1,603.0**
Other Revenue	**26.5**	**13.1**	**13.1**	**8.0**	**4.4**	**9.5**
Operating Costs						
Change in work in progress, semifinished and finished goods	14.7	(6.1)	1.5	49.3	55.1	7.3
Change in inventory of raw, ancillary and consumable materials	5.3	10.6	—	9.1	13.4	4.3
Cost of raw, ancillary and consumable materials and goods for resale	(481.4)	(555.4)	(598.1)	(412.6)	(428.4)	(613.9)
Services, rentals and leases	(294.3)	(321.1)	(324.1)	(229.6)	(202.5)	(297.0)
Personnel costs	(362.3)	(394.8)	(429.0)	(314.7)	(318.1)	(432.4)
Capitalized costs	—	20.8	27.1	17.2	17.1	27.0
Depreciation, amortization and write-downs	(33.4)	(44.1)	(81.6)	(54.9)	(70.0)	(96.7)
Provisions for risks and charges	(0.6)	(0.1)	(1.0)	(0.7)	(3.1)	(3.4)
Other operating costs	(8.9)	(13.2)	(10.9)	(7.5)	(8.5)	(11.9)
Total Operating Costs	**(1,160.9)**	**(1,303.4)**	**(1,416.1)**	**(944.4)**	**(945.0)**	**(1,416.7)**
Operating Profit	**185.8**	**210.1**	**192.5**	**71.9**	**75.2**	**195.8**
Financial Income and Expense						
Financial income	26.6	34.1	79.7	79.9	17.3	17.1
Financial expense	(41.9)	(34.6)	(43.1)	(36.3)	(36.5)	(43.3)
Total Financial Income and Expense	**(15.3)**	**(0.5)**	**36.6**	**43.6**	**(19.2)**	**(26.2)**
Profit (Loss) from Investments accounted for using the Equity Method	**1.3**	**2.4**	**(4.7)**	**3.1**	**3.8**	**(4.0)**
Profit before Taxes	**171.8**	**212.0**	**224.4**	**118.6**	**59.8**	**165.6**
Taxes	**(52.4)**	**(61.2)**	**(54.8)**	**(27.9)**	**(19.4)**	**(46.2)**
Net Profit from Continuing Operations	**119.4**	**150.8**	**169.6**	**90.7**	**40.4**	**119.3**
Profit (Loss) from Discontinued Operations/ Disposal Groups	**(20.0)**	**(26.2)**	**—**	**—**	—	**—**
Profit for the Year	**99.4**	**124.6**	**169.6**	**90.7**	**40.4**	**119.3**
Attributable to:						
Equity Holders of the Parent	**85.6**	**104.0**	**169.2**	**88.0**	**42.0**	**123.2**
Non-controlling Interests	**13.8**	**20.6**	**0.4**	**2.7**	**(1.6)**	**(3.9)**
Basic and diluted earnings per share (€)	**2.18**	**2.65**	**4.26**	**2.24**	**0.97**	**n.a.**

Selected Consolidated Statement of Financial Position of the Company

	As of December 31,			As of September 30,
	2017	2018	2019	2020
			(€ millions)	
Non-current assets				
Property, plant and equipment	95.1	111.9	100.2	106.7
Right of use assets	—	—	212.8	212.7
Intangible assets	362.2	454.0	874.8	861.5
Investments accounted for using the equity method	40.3	52.9	26.1	30.3
Financial assets	5.0	47.5	49.8	49.3
Receivables from others	3.4	4.1	3.0	3.1
Deferred tax assets	67.9	49.2	58.3	56.8
Total non-current assets	**573.9**	**719.6**	**1,325.0**	**1,320.4**
Current assets				
Inventories	309.7	319.7	344.2	411.1
Trade and other receivables	232.4	257.7	243.9	257.0
Contract assets	156.9	189.5	236.7	220.9
Income tax receivables	9.4	9.8	21.3	7.1
Financial assets	17.9	22.2	18.2	20.2
Derivative financial instruments	0.2	0.4	1.0	0.4
Cash and cash equivalents	206.7	140.9	110.7	164.5
Total current assets	**933.2**	**940.2**	**976.0**	**1,081.2**
Total assets	**1,507.1**	**1,659.8**	**2,301.0**	**2,401.6**
Equity				
Share capital	20.4	20.4	22.5	22.5
Reserves and retained earnings	263.2	272.6	301.8	462.5
Profit for the year	85.6	104.0	169.2	42.0
Equity attributable to equity holders of the parent	**369.2**	**397.0**	**493.5**	**527.0**
Non-controlling interest	21.3	23.9	11.4	9.6
Total equity	**390.5**	**420.9**	**504.9**	**536.6**
Non-current liabilities				
Borrowings	167.5	283.3	521.9	462.7
Lease liabilities	—	—	142.2	138.6
Employee defined benefit liabilities	56.0	34.7	40.6	43.9
Provisions for risks and charges	5.8	4.6	6.3	6.5
Other payables	35.3	74.7	120.6	96.9
Derivative financial instruments	1.9	3.8	5.3	7.3
Deferred tax liabilities	61.5	58.8	108.8	100.2
Total non-current liabilities	**328.0**	**459.9**	**945.7**	**856.1**
Current liabilities				
Borrowings	108.5	106.5	123.3	304.4
Lease liabilities	—	—	21.1	22.8
Trade and other payables	469.7	462.5	527.4	489.0
Contract liabilities	166.0	173.9	135.8	147.7
Income tax liabilities	11.6	7.4	12.9	12.5
Provisions for risks and charges	32.6	27.4	29.8	32.4
Derivative financial instruments	0.2	1.3	0.1	0.1
Total current liabilities	**788.6**	**779.0**	**850.4**	**1,008.9**
Total liabilities	**1,116.6**	**1,238.9**	**1,769.1**	**1,865.0**
Total equity and liabilities	**1,507.1**	**1,659.8**	**2,301.0**	**2,401.6**

Selected Consolidated Statement of Cash Flows Information of the Company

	For the year ended December 31,			For the nine months ended September 30,	
	2017	2018	2019	2019	2020
			(€ millions)		
Cash flow provided by/(used in) operating activities (A)	115.1	120.5	161.5	(8.5)	8.0
Cash flow used in investing activities (B)	(91.5)	(137.1)	(305.6)	(287.2)	(33.6)
Cash flow provided by/ (used in) financing activities (C)	(18.0)	(49.2)	113.9	247.0	79.4
Net change in cash and cash equivalents (D = A+B+C)	**5.6**	**(65.8)**	**(30.2)**	**(48.7)**	**53.8**
Cash and cash equivalents at the beginning of the year (E)	**201.1**	**206.7**	**140.9**	**140.9**	**110.7**
Cash and cash equivalents at the end of the year (F = D+E)	**206.7**	**140.9**	**110.7**	**92.2**	**164.5**

(*) The Group classifies interest and dividends as cash flows from financing activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The Issuer is a holding company formed for the purpose of facilitating the Transactions and is not expected to engage in any activities other than those related to its formation and the Transactions. The Issuer's only material assets and liabilities are currently, and are expected in the future to be, its interest in the issued and outstanding shares of its subsidiaries and its outstanding indebtedness and inter-company balances incurred in connection with the Transactions (including approximately 66.82% ownership of Outstanding Company Shares) and the other transactions described in this Offering Memorandum. We do not present in this Offering Memorandum financial information or financial statements of the Issuer, which was established on September 16, 2020, other than the limited information contained in the Issuer Financial Statements.

Therefore, the following is a discussion and analysis of the results of operations and financial condition of the Company as of and for the years ended December 31, 2017, 2018 and 2019 as derived from the Company's Consolidated Financial Statements, and as of and for the nine month periods ended September 30, 2019 and 2020 as derived from the Company's Unaudited Condensed Consolidated Interim Financial Statements. The Consolidated Financial Statements are prepared in accordance with IFRS. The Unaudited Condensed Interim Financial Statements are prepared in accordance with IAS 34. The Company's Consolidated Financial Statements and Unaudited Condensed Consolidated Interim Financial Statements are included elsewhere in this Offering Memorandum. Unless indicated otherwise, when we refer to "we", "us", "our" or the "Group" for the purposes of this section, we are referring to the business of the Company and its subsidiaries and not the Issuer.

You should read this discussion in conjunction with the sections entitled "Presentation of Financial and Other Information", "Selected Consolidated Financial Information", "Capitalization" and the Consolidated Financial Statements and the Unaudited Condensed Consolidated Interim Financial Statements, all of which are included elsewhere in this Offering Memorandum.

This discussion includes forward-looking statements, which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties that could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. See "Information Regarding Forward-Looking Statements" and, for a discussion of the risks and uncertainties that we face, you should also see "Risk Factors".

Overview

We are a global leader in the design and assembly of complex automated machinery for the product filling and primary packaging of pharmaceuticals, cosmetics, tea, coffee, certain other food products and tobacco. In addition to the design and assembly of machinery, we also provide After-Sales products and services throughout the lifecycle of the machinery that we sell. We attribute our success, in part, to our unique asset-light business model, which relies on our strong core labor-intensive capabilities in research, design, development, engineering and testing, while outsourcing lower value-added aspects of the assembly process to a group of select local suppliers. We have made significant investments in research and development to enable us to remain at the forefront of machine customization and product innovation. At the same time, we have fostered a diverse network of local suppliers, many of whom we own minority stakes in, and have tightly integrated these suppliers with our operations, thereby enabling us to maintain low capital expenditure levels and a highly variable cost base.

Founded in 1961 and headquartered in Bologna, Italy, an area known for the presence of well-established manufacturing companies and a talented engineering labor force, we have 45 manufacturing facilities and approximately 6,000 employees, out of whom approximately 70.0% are engineers and highly specialized technicians, in nine countries, including Italy, the United States, China, Argentina, Germany and Switzerland. We sell our products worldwide to a loyal blue-chip customer base, both directly through our on-the-ground salesforce and, in selected markets, third party agents. We have historically been able to build long-lasting customer relationships by creating highly customized and specialized products with shorter lead times due to our flexible supply chain. Our loyal blue-chip customer base allows us to achieve stable and highly visible revenue, and we generated the majority of our revenue in the last five fiscal years from our existing customers, mainly through new machine orders and After-Sales products and services.

For the twelve months ended September 30, 2020, we generated revenue of €1.6 billion, EBITDA of €291.8 million (representing an EBITDA Margin of 18.2%) and net profit of €119.3 million, and in 2019, we generated revenue of €1.6 billion, EBITDA of €273.4 million (representing an EBITDA Margin of 17.1%) and net profit of €169.6 million. We also have a strong pipeline of ongoing projects, with a Backlog as of September 30, 2020 of €919.4 million.

Within the global packaging machinery industry, we primarily serve the consumer (including food and beverage), pharmaceutical and tobacco packaging machinery reference markets. We generally operate in niches within these reference markets that we believe are highly resilient and fast growing, and we maintain a leadership position in many of them. Our three business segments (i) Tea, Food, & Other, (ii) Pharmaceutical, and (iii) Tobacco, are geared towards competing in these niches.

Tea, Food, & Other. We design, develop, assemble, and install machinery for the packaging and/or assembling of tea bags, coffee capsules, dairy and other food and beverage products, tissues, cosmetics and other personal care products and design and produce fully automated production lines for medical devices among other end markets. Our Tea, Food, & Other segment generated €782.3 million, or 48.8%, of our total revenue for the twelve months ended September 30, 2020.

Pharmaceutical. We design, develop, assemble, and install machinery for the packaging of pharmaceutical capsules and tablets in blisters and bottles, filling bottles and vials with liquid and powdered products in sterile and non-sterile environments, freeze-drying, tube-filling and cartoning systems for the production of tablets and capsules, and for coating and granulation of pharmaceuticals. Our Pharmaceutical segment generated €722.5 million, or 45.1%, of our total revenue for the twelve months ended September 30, 2020.

Tobacco. We design, develop, assemble, and install machinery for packaging, filling and capping tobacco-related products, with a specific focus on “Heat not Burn” tobacco products, electronic cigarettes and other related products. Our Tobacco segment generated €98.2 million, or 6.1%, of our total revenue for the twelve months ended September 30, 2020.

We offer both Original Equipment and After-Sales products and services within each of our three segments.

The table below sets forth breakdowns of our total revenue by segment and geographical area for the twelve months ended September 30, 2020 and our Backlog as of September 30, 2020. Our Backlog consists of the contracted future revenue relating to all signed orders for which customers. Our customers pay up to 30.0% of the total invoice in the early stages of the relationship by paying the first tranche of the agreed price.

Revenue by geographical area	**For the twelve months ended September 30, 2020**
	(€ millions)
European Union (excluding Italy)	465.3
Other European countries	137.7
North America	290.7
Asia & Middle East	324.0
Other countries	156.3
Total Exports	1,374.0
Italy	229.0
Total	**1,603.0**

Revenue by segment	**For the twelve months ended September 30, 2020**
	(€ millions)
Tea, Food, & Other	782.3
Pharmaceutical	722.5
Tobacco Packaging	98.2
Total	**1,603.0**

Backlog by segment	**As of September 30, 2020**
	(€ millions)
Tea, Food, & Other	318.2
Pharmaceutical;	562.2
Tobacco Packaging	39.0
Total	**919.4**

Key Factors That Have Affected Our Results of Operations

The following are certain key factors that have driven our results of operations and financial condition during the last three financial years or that we expect will drive our operations in the future.

Consistent increase in revenue from contracts with customers and EBITDA driven by our biggest segments

Our results have been driven by a consistent increase in revenue from contracts with customers over the past three years. The following table shows our results for such periods:

	For the year ended December 31,			For the nine months ended September 30,		For the last twelve months ended September 30,
	2017 RESTATED	2018	2019	2019	2020	2020
			(€ millions, except for percentages)			
Revenue from contracts with customers	1,320.2	1,500.4	1,595.5	1,008.3	1,015.8	1,603.0
EBITDA	218.8	253.6	273.4	126.2	144.6	291.8
EBITDA Margin	16.6%	16.9%	17.1%	12.5%	14.2%	18.2%
Adjusted EBITDA	224.1	260.0	281.0	133.2	146.6	294.4
Adjusted EBITDA Margin	17.0%	17.3%	17.6%	13.2%	14.4%	18.4%

For an explanation of the calculation of EBITDA, EBITDA Margin, Adjusted EBITDA, and Adjusted EBITDA Margin, see "*Summary of Consolidated Financial Information—Other Financial Information and Non-IFRS Measures of the Company*."

Over the past three years, our revenue from contracts with customers increased, from €1,320.2 million in 2017 to €1,595.5 million in 2019. Our revenue from contracts with customers for the nine months ended September 30, 2019 also grew year-on-year by 0.7% compared to the nine months ended September 30, 2020, increasing from €1,008.3 million to €1,015.8 million despite the unique market conditions. Our performance for the nine months ended September 30, 2020 benefitted from an unusually productive August and a one-off increase of €43.0 million in sales of machinery related to a lines of surgical masks sold in Italy, Europe, and the United States. Neither of these developments is expected to carry over into future periods.

Our revenue growth over the past three years was driven primarily by growth in our Tea, Food & Other and Pharmaceutical segments. Revenue from contracts with customers derived from our Tea, Food & Other segment increased from €602.5 million in 2017 to €804.6 million in 2019, equal to a compound annual growth rate of 15.6%, over the three year period. Similarly, revenue from contracts with customers derived from our Pharmaceutical segment increased from €565.9 million in 2017 to €699.6 million in 2019, equal to a compound annual growth rate of 11.2%, over the three year period. Meanwhile, revenue from contracts with customers from our Tobacco packaging segment went from €151.7 million in 2017 to €91.3 million in 2019, equal to a compound annual negative growth rate of (22.4%), over the three year period primarily due to elevated capital expenditures by key customers in 2017 and 2018, followed by a drop in capital expenditures in 2019.

Revenue from contracts with customers by segment	For the years ended December 31,			For the nine months ended September 30,		For the last twelve Months ended September 30,
	2017 RESTATED	2018	2019	2019	2020	2020
			(€ millions)			
Tea, Food & Other	602.5	686.2	804.6	441.1	480.3	782.3
Pharmaceutical	565.9	631.3	699.6	512.9	474.3	722.5
Tobacco Packaging	151.8	182.9	91.3	54.3	61.2	98.2
Total	**1,320.2**	**1,500.4**	**1,595.5**	**1,008.3**	**1,015.8**	**1,603.0**

Over the past three years, our EBITDA increased, from €218.8 million in 2017, €253.6 million in 2018 and €273.4 million in 2019. Our EBITDA for the nine months ended September 30, 2019 also grew year-on-year by 14.6% compared to the nine months ended September 30, 2020, increasing from €126.2 million to €144.6 million. Our EBITDA for the twelve months ended September 30, 2020 was €291.8 million.

Over the past three years, our EBITDA Margin increased, from 16.6% in 2017, 16.9% in 2018 and 17.1% in 2019. Our EBITDA Margin for the nine months ended September 30, 2020 was 14.2% and for the twelve month period ended September 30, 2020, EBITDA Margin was 18.2%.

The growth of our revenue from contracts with customers and EBITDA and the consistent strength of our EBITDA margin since the beginning of 2017 is a testament to the resiliency of our business and financial results, which are supported by (i) our diversified blue chip customer base; (ii) our strong After-Sales offerings in support of our Original Equipment installation; and (iii) Backlog.

Over the past three years, our Adjusted EBITDA increased, from €224.1 million in 2017, to €260.0 million in 2018 and €281.0 million in 2019. Our Adjusted EBITDA for the nine months ended September 30, 2019 also grew year-on-year by 10.1% compared to the nine months ended September 30, 2020, increasing from €133.2 million to €146.6 million.

Over the past three years, our Adjusted EBITDA Margin increased, from 17.0% in 2017, 17.3% in 2018 and 17.6% in 2019. Our Adjusted EBITDA Margin for the nine months ended September 30, 2020 was 14.4%.

The difference between Adjusted EBITDA and EBITDA is in the elimination of non-recurring items for €5.3 million in 2017, €6.4 million in 2018 and €7.6 million in 2019 and for €7.0 million and €2.0 million the nine months ended September 30, 2019 and 2020, respectively.

Growth supported by After-Sales

We generate revenue across our segments from both Original Equipment and After-Sales products and sales. Our After-Sales business is closely connected to our Original Equipment business, given that an increase in our installed base directly drives an increase in the demand for our After-Sales products and services. Our After-Sales business is characterized by higher margins, on average, with After-Sales representing, on average, approximately 30.0% of our revenue and, on average, approximately 43.0% of our gross profit. Accordingly, our After-Sales business represents an attractive growth opportunity and the high margins of our After-Sales business make it an increasingly important driver of our overall business. The strength of our After-Sales business was particularly significant in the first half of 2020 when travel was restricted by governments around the world. During that time, sales of Original Equipment, which often entail in-person meetings and inspections were difficult to make, but we were able to consistently deliver After-Sales services remotely to our customers.

The following table sets forth the breakdown of our revenue by business for the years ended December 31, 2017, 2018 and 2019 and for the nine months ended September 30, 2019 and 2020 and for the twelve months ended September 30, 2020:

	For the year ended December 31,			For the nine months ended September 30,		For the last twelve Months ended September 30,
	2017 RESTATED	2018	2019	2019	2020	2020
			(€ millions)			
Original Equipment	927.4	1,041.7	1,122.9	683.4	693.9	1,133.4
After-Sales	392.8	458.7	472.6	324.9	321.9	469.6
Total	**1,320.2**	**1,500.4**	**1,595.5**	**1,008.3**	**1,015.8**	**1,603.0**

Strong visibility from Backlog

We believe our Backlog provides us with important visibility for our short- and medium-term financial results. The table below shows our Backlog as of December 31, 2017, 2018 and 2019 and as of September 30, 2019 and 2020.

	As of December 31,			As of September 30,	
	2017 RESTATED	2018	2019	2019	2020
			(€ million)		
Tea, Food & Other	194.0	326.1	326.3	402.7	318.2
Pharmaceutical	502.4	562.0	528.7	622.6	562.2
Tobacco Packaging	110.4	53.4	54.0	52.0	39.0
Total Order Backlog	**806.8**	**941.5**	**909.0**	**1,077.3**	**919.4**

While the time taken to realize revenue from our Backlog may vary, our Backlog as of September 30, 2020 provided approximately nine months for the relevant conversion in revenue. For the years ended December 31, 2015, 2016, 2017, and 2018, our Backlog as of the end of the year represented between 70.0% and 84.0% of the next year's revenue (i.e., from 2016 to 2019) (excluding After-Sales). The visibility provided by our strong and consistent Backlog, which is supported by payments of up to 30.0% of the total invoice at intake, enables us to plan and execute our strategies with greater confidence as well as tailor our highly flexible cost base well in advance based on expected future production. For more information on Backlog, see: "*Business—Sales and Customers—Backlog and New Orders Intake*."

Geographic Diversification of Revenue from contracts with customers

	For the year ended December 31,			For the nine months ended September 30,		For the last twelve months ended September 30,
	2017 RESTATED	**2018**	**2019**	**2019**	**2020**	**2020**
				(€ millions)		
European Union (excluding Italy)	400.9	450.0	451.3	287.1	301.1	465.3
Other European countries	107.6	115.0	109.1	71.0	99.6	137.7
North America	225.3	241.1	313.7	199.7	176.7	290.7
Asia & Middle East	290.4	375.7	354.7	213.2	182.5	324.0
Other countries	133.4	150.9	173.9	118.7	101.1	156.3
Total exports	**1,157.6**	**1,332.7**	**1,402.7**	**889.7**	**861.0**	**1,374.0**
Italy	162.6	167.7	192.8	118.6	154.8	229.0
Total	**1,320.2**	**1,500.4**	**1,595.5**	**1,008.3**	**1,015.8**	**1,603.0**

Our business is diversified across many geographies and has become more diversified in recent years. Italy, our original market and the country in which our headquarters are located, is our largest market, but, in terms of revenue generation, it represented 12.1% of total revenue from contracts with customers in 2019.

While we have experienced growth in all geographies over the past three years, our revenues from contracts with customers as a percentage of our total business has grown principally in North America. The percentage of our revenue coming from the European Union (excluding Italy) has changed from 30.4% in 2017 to 28.3% in 2019. Similarly, the percentage of our revenue from contracts with customers coming from Other European countries has declined from 8.2% in 2017 to 6.8% in 2019. The percentage of our revenue coming from Italy has fallen from 12.3% in 2017 to 12.1% in 2019. Meanwhile, we have increased the percentage of our business in North America, with its share of our revenue from contracts with customers increasing from 17.1% in 2017 to 19.7% in 2019. We have also increased the percentage of our business in other countries (which includes Brazil, Mexico, Algeria, and Morocco) with its share of our revenue from contracts with customers increasing from 10.1% in 2017 to 10.9% in 2019. We have maintained the percentage of our business in the Asia & Middle East region, with its share of our revenue from contracts with customers relatively stable at 22.0% from 2017 to 2019. While increasing the diversity of our revenue from contracts with customers, overall, over the past three years, our revenue from contracts with customers have increased each year and over total revenue from contracts with customers from each geographic region have increased. We believe there are additional opportunities to grow and geographically diversify our business by increasing our business in the food packaging market in North America and by providing on-the-ground After-Sales services to customers in Asia supported by an increased presence.

Strengthening Overall Performance through Strategic Acquisitions

We have successfully completed several strategic acquisitions since 2003. These acquisitions were made at attractive multiples that fueled historical growth with good sales synergies, supplementing strong organic growth. The acquisitions helped us acquire expertise that would be more difficult or require a longer time to develop in-house and allowed us to diversify our product portfolio, offer more integrated solutions, and expand geographically. Our material acquisitions from the past three years include: (i) our acquisition in 2018 of 82.5% of the shares of Tissue Machinery Company S.p.A., a market leader in the production of automatic machines for the production of tissue and personal care products, for total consideration of €58.5 million; and (ii) our acquisition in 2019 of 56.1% of the shares of ATOPbi S.p.A. and 16.0% of the shares of Stator S.p.A. for total consideration of €230.0 million, after which the Company indirectly owns approximately 84.0% of the shares of ATOP S.p.A., a market leader in the production of automatic machines and lines for the production of stators and rotors used in electric motors for the automotive sector. See "*Business—Our History*".

Effects of Covid-19 and Resiliency of Company

The outbreak of Covid-19 and governmental and personal measures taken to prevent its spread, including restrictions on travel, imposition of quarantines and prolonged closures of businesses, may impact our business in a number of ways. This may include an adverse effect from reduced global economic activity and resulting demand for consumer products and, therefore, the machines we manufacture for the makers of consumer products. It may also include restrictions and limitations on the ability to conduct business, including potential disruptions to our supply chain, workforce, and operations, which could be as significant as the ordered closure of one or more of our facilities or the managerial decision to guard the wellbeing of our workforce at the cost of maximized profits.

Our revenue from contracts with customers for the first three quarters of 2020 remained solid, demonstrating that our business is, in fact, resilient and capable of delivering strong results under challenging conditions. This does not mean our business has not been affected by the Covid-19 pandemic. Although we do not report revenue on a month by month basis, an analysis of our revenue during the early months of the Covid-19 pandemic demonstrates the resiliency of our business. Revenue from contracts with customers was materially negatively affected by the Covid-19 pandemic and governmental restrictions imposed in March 2020, resulting in a comparative fall from €175.0 to €128.2 million. Revenues from customers rebounded in April, resulting in a comparative increase from €81.0 million to €91.8 million. Revenues from contracts with customers in May amounted to €105.4 million, largely in line with the same period of 2019 when they amounted to €108.3 million.

In addition, our order intake did not suffer project cancellations between March and May 2020 and combined orders during that period were higher than combined orders between March and May in 2019. Our order intake in March 2020 was equal to €147.0 million showing a decrease of 5.1% compared to the same period in 2019, driven mainly by an intake reduction in our Tobacco segment (75.1%) unrelated to the Covid-19 pandemic, while our Tea, Food and Other segment experienced an increase of 7.0% and our Pharmaceutical segment experienced a decrease of 4.3%. Then, our order intake in April 2020 was equal to €92.0 million showing an increase of 46.7% compared to the same period in 2019, driven primarily by strong performance in our Tea, Food & Other segment (which increased by 59.0%) and Pharmaceutical segment (which increased by 45.5%), while our Tobacco segment decreased by 67.7%. Finally, our order intake in May 2020 was equal to €153.0 million showing an increase of 18.6% compared to the same period in 2019, driven primarily by strong performance across all our business segments, with our Tobacco segment increasing by 100.0%, our Tea, Food & Other segment increasing by 37.5% and our Pharmaceutical segment increasing by 10.5%. Our performance in a period marked by difficulty and uncertainty caused by the Covid-19 pandemic demonstrates our resiliency.

While our revenue and order intake from contracts with customers for the first three quarters are promising, we expect the ultimate significance of the impact of reduced economic activity and disruptions, including the extent of their adverse impact on financial and operational results, will be primarily determined by the length of time that such reductions and disruptions continue, which will, in turn, depend on the duration of the Covid-19 pandemic, the impact of measures that might be imposed in response to the pandemic and whether a vaccine or drug can be developed and deployed that allows business operations to return to their pre-pandemic form. We anticipate that, primarily due to the effects of the Covid-19 pandemic, our EBITDA for the year ended December 31, 2020 will be approximately 10.0% lower than EBITDA for the year ended December 31, 2019. See "*Risk Factors—The Covid-19 pandemic could have a material adverse effect on our business, results of operations and financial position.*" and "*Summary—Current Trading.*"

Net financial debt and Financial Expenses

Our Net financial debt was equal €50.0 million, €184.6 million and €637.1 million as of December 31, 2017, 2018 and 2019, respectively. Our Net financial debt increased to €700.9 million as of September 30, 2020. Our Net financial debt has increased primarily to finance recent acquisitions and, starting from January 1, 2019, due to the adoption of the new accounting standard *IFRS 16-Leases*. In connection with the Transaction, our Net financial debt will further increase. Following the Transactions, however, the Issuer and its subsidiaries, including the Company, will have improved cash flow stemming from the elimination of certain obligations to shareholders following the MTO and Delisting. See "*Summary Consolidated Financial Information—Pro Forma and Other Financial Information of the Company and the Issuer*".

Explanation of Key Income Statement Items

Revenue from contracts with customers

Revenue deriving from contracts with customers are recognized on the basis of the following five steps: (i) identification of the contract with the customer; (ii) identification of performance obligations to be transferred to the customer in exchange for the consideration; (iii) identification of the contractual consideration; (iv) allocation of the consideration to the individual performance obligations; (v) recognition of revenue when each performance obligation is satisfied.

Revenue is recognized for an amount that reflects the consideration to which we believe we are entitled to fulfil our obligation, with the transfer of the goods or service when the customer acquires control.

Our main revenue streams are:

(i) machines and contracts in progress,

(ii) change parts (sub-units of machines that are sold together with them or at a later date),

(iii) spare parts and other materials, and

(iv) technical assistance.

Contract work and part of the technical assistance, commissioning services in particular, are obligations to be fulfilled over time. The method of measuring progress in fulfilling contract work in progress, on projects carried out according to specific customer needs, is the cost-to-cost input method that accounts for revenue based on the effort or input (*i.e.*, costs) that we make in fulfilling the performance obligation guaranteed to the client on the total inputs that we expect to have to use to complete it (contract budget).

This process considers the best estimate of the project costs at the balance sheet date. The directors base their estimates on the information deriving from the internal contract reporting, forecasting and accounting system; they also examine and, where necessary, review the estimates of revenue and costs at the various stages of completion of an order. Any economic effects are recognized in the period that the updates are made.

To provide better support for management's estimates, we have set up contract risk analysis tools, designed to identify, monitor and quantify the risks relating to the performance of such contract work.

The machines, kits, spare parts and other materials and the After-Sales technical assistance represent obligations to fulfil at a point in time. Revenue relating to the sale of products is recognized when substantially all of the risks and rewards of control over the goods have been transferred to the purchaser. The moment of transfer of control coincides with the transfer of ownership or possession of the goods to the buyer and therefore generally coincides with the shipment of the goods or completion of the service.

We receive up to 30.0% on the total invoice when the order is placed, 10.0% when drawings or other contractual milestones are completed, 30.0% typically received when the order is built and customer is authorized at IMA's facility, and the remaining 30.0% when the machines are installed at the customer's site.

Cost of raw, ancillary and consumable materials and goods for resale

Cost of raw, ancillary and consumable materials and goods for resales includes raw materials and semifinished goods, consumables and ancillary materials, marketable goods and other purchases.

Services, rentals and leases

Services, rentals and leases costs mainly include the costs relating to (i) outsourced work and fitting, (ii) technical consulting services, (iii) our administrative financial and management functions, as well as legal and administrative tax consultancy, (iv) sales and marketing, promotional expenses and all distribution costs, including commission paid to agents and intermediaries (v) leases and (vi) other costs, as well as maintenance and repair, energy, telephone, gas, water and postal charges and rental fees. Rentals principally relates to contracts with a duration less than one year and are excluding from the application of IFRS16-Leases.

Personnel costs

Personnel costs include personnel costs mainly relating to wages and salaries and social security charges.

Capitalized Costs

This item primarily includes the costs incurred on the technological upgrading and normal revamping of standard products.

Depreciation, amortization and write-downs

Depreciation, amortization and write-downs refers to amortization of intangible assets, depreciation of property, plant and equipment, depreciation of rights of use, write-downs of trade receivables, investments and intangible assets (including impairment of goodwill).

Other operating costs

Other operating costs mainly include the costs relating to (i) property tax and other taxes, (ii) out-of-period expenses, (iii) penalty and (iv) other operating expenses.

Net financial income and expense

Net financial items include interest income and expense, foreign exchange gains and losses, both realized and unrealized, and differences arising from the valuation of securities.

Taxes

Taxes include current and deferred taxes. Taxes are generally recognized in profit or loss except when they regard items recognized directly in equity. In this case, the related income taxes are also recognized in equity.

Current taxes are taxes which are expected to pay based on the taxable income for the year and are calculated using the tax rate applying in the various countries in which the IMA Group operates. Deferred tax liabilities are calculated by applying the liability method to temporary differences between the value of consolidated balance sheet assets and liabilities and the corresponding values recognized for tax purposes. Deferred taxes are determined using the tax rate which is expected to apply when the assets are realized, or the liabilities settled. Deferred tax assets are recognized only when it is probable that taxable income in future years will be sufficient to realize them. Deferred tax assets and liabilities are off-set only when there is a legal entitlement to do so and when they relate to taxes due to the same tax authority. Provision for taxes that might arise on transferring undistributed earnings of subsidiaries are only made if there is a real intention to transfer such earnings. Taxes relating to prior periods include revenue and expenses recognized during the year for income tax relating to prior years.

Nine Months Ended September 30, 2020 Compared to Nine Months Ended September 30, 2019

The following table sets forth certain items from our consolidated income statement for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 and as a percentage of our total revenue from contracts with customers.

Income Statement

	For the nine months ended September 30,					
	2020		2019		Change 2020/2019	
	(€ millions)	*(% revenue)*	*(€ millions)*	*(% revenue)*	*(€ millions)*	*(%)*
Revenue from contracts with customers	**1,015.8**	**100.0**	**1,008.3**	**100.0**	**7.5**	**0.7**
Other revenue	**4.4**	**0.4**	**8.0**	**0.8**	**(3.6)**	**(45.0)**
Operating costs						
Change in work in progress, semifinished and finished goods	*55.1*	*5.4*	*49.3*	*4.9*	*5.8*	*11.8*
Change in inventory of raw, ancillary and consumable materials	*13.4*	*1.3*	*9.1*	*0.9*	*4.3*	*47.3*
Cost of raw, ancillary and consumable materials and goods for resale	*(428.4)*	*(42.2)*	*(412.6)*	*(40.9)*	*(15.8)*	*(3.8)*
Service, rentals and leases	*(202.5)*	*(19.9)*	*(229.6)*	*(22.8)*	*27.1*	*11.8*
Personnel costs	*(318.1)*	*(31.3)*	*(314.7)*	*(31.2)*	*(3.4)*	*1.1*
Capitalized costs	*17.1*	*1.7*	*17.2*	*1.7*	*(0.1)*	*(0.6)*
Depreciation, amortization and write-downs	*(70.0)*	*(6.9)*	*(54.9)*	*(5.4)*	*(15.1)*	*(27.5)*
Provisions for risks and charges	*(3.1)*	*(0.3)*	*(0.7)*	*(0.1)*	*(2.4)*	*n.s.*
Other operating costs	*(8.5)*	*(0.8)*	*(7.5)*	*(0.7)*	*(1.0)*	*(13.3)*
Total Operating costs	**(945.0)**	**(93.0)**	**(944.4)**	**(93.7)**	**(0.6)**	**(0.1)**
Operating profit (EBIT)	**75.2**	**7.4**	**71.9**	**7.1**	**3.3**	**4.6**
—of which: effect of non-recurring items	*(2.0)*	*(0.2)*	*(7.0)*	*(0.7)*	*5.0*	*71.4*
Financial Income	*17.3*	*1.7*	*79.9*	*7.9*	*(62.6)*	*(78.3)*
Financial Expense	*(36.5)*	*(3.6)*	*(36.3)*	*(3.6)*	*(0.2)*	*(0.6)*
Net financial income and expense	(19.2)	(1.9)	43.6	4.3	(62.8)	n.s.
Profit (Loss) from investments accounted for using the equity method	3.8	0.4	3.1	0.3	0.7	22.6
Profit before taxes	**59.8**	**5.9**	**118.6**	**11.8**	**(58.8)**	**(49.6)**
Taxes	**(19.4)**	**(1.9)**	**(27.9)**	**(2.8)**	**8.5**	**30.5**
Profit for the period	**40.4**	**4.0**	**90.7**	**9.0**	**(50.3)**	**(55.5)**
Profit attributable to non-controlling interests	1.6	0.2	(2.7)	(0.3)	4.3	n.s.
Profit attributable to equity holders of the parent	**42.0**	**4.1**	**88.0**	**8.7**	**(46.0)**	**(52.3)**
Basic and diluted earnings per share (€)	**0.97**		**2.24**			

Revenue from contracts with customers

Our revenue from contracts with customers amounted to €1,015.8 million for the nine months ended September 30, 2020, an increase of €7.5 million, or 0.7%, compared to €1,008.3 million for the nine months ended September 30, 2019, primarily attributable to the Backlog at the end of the 2019 financial year and to orders acquired during the current year.

The following table provides a breakdown of revenue from contracts with customers by our geographical areas for the nine months ended September 30, 2020 and 2019.

Revenue by Segment and Geographical Area

	For the nine months ended September 30,				Change 2020/2019	
	2020		2019			
	(€ millions)	*(% revenue)*	*(€ millions)*	*(% revenue)*	*(€ millions)*	*(%)*
Tea, Food & Other						
European Union (excluding Italy)	107.3	10.6	116.0	11.5	(8.7)	(7.5)
Other European countries	54.2	5.3	49.2	4.9	5.0	10.2
North America	106.5	10.5	111.5	11.1	(5.0)	(4.5)
Asia & Middle East	68.7	6.8	64.2	6.4	4.5	7.0
Italy	84.7	8.3	45.8	4.5	38.9	84.9
Other countries	58.9	5.8	54.4	5.4	4.5	8.3
Total	**480.3**	**47.3**	**441.1**	**43.8**	**39.2**	**8.9**
Pharmaceutical						
European Union (excluding Italy)	165.7	16.3	157.7	15.6	8.0	5.1
Other European countries	40.7	4.0	18.4	1.8	22.3	121.2
North America	68.1	6.7	88.2	8.7	(20.1)	(22.8)
Asia & Middle East	97.4	9.6	121.6	12.1	(24.2)	(19.9)
Italy	60.2	5.9	63.0	6.2	(2.8)	(4.4)
Other countries	42.2	4.2	64.0	6.3	(21.8)	(34.1)
Total	**474.3**	**46.7**	**512.9**	**50.9**	**(38.6)**	**(7.5)**
Tobacco packaging						
European Union (excluding Italy)	28.1	2.8	13.4	1.3	14.7	109.7
Other European countries	4.7	0.5	3.4	0.3	1.3	38.2
North America	2.1	0.2	—	—	(2.1)	(100.0)
Asia & Middle East	16.4	1.6	27.4	2.7	(11.0)	(40.1)
Italy	9.9	1.0	9.8	1.0	0.1	(1.0)
Other countries	—	—	0.3	—	(0.3)	(100.0)
Total	**61.2**	**6.0**	**54.3**	**5.3**	**6.9**	**12.7**
All the Segments						
European Union (excluding Italy)	301.1	29.6	287.1	28.5	14.0	4.9
Other European countries	99.6	9.8	71.0	7.0	28.6	40.3
North America	176.7	17.4	199.7	19.8	(23.0)	(11.5)
Asia & Middle East	182.5	18.0	213.2	21.1	(30.7)	(14.4)
Italy	154.8	15.2	118.6	11.8	36.2	30.5
Other countries	101.1	10.0	118.7	11.8	(17.6)	(14.8)
Total	**1,015.8**	**100.0**	**1,008.3**	**100.0**	**7.5**	**0.7**

Tea, Food & Other

Revenue from contracts with customers from our Tea, Food & Other segment increased by €39.2 million, or 8.9%, from €441.1 million for the nine months ended September 30, 2019 to €480.3 million for the nine months ended September 30, 2020. The increase was primarily attributable to a contribution of €1.9 million by our subsidiary Record S.p.A., which produces flexible packaging, and due to an unusually productive August and a one-off increase of €43.0 million in sales of machinery related to lines for surgical masks sold in Italy, Europe, and the United States.

Pharmaceutical

Revenue from contracts with customers from our Pharmaceutical segment decreased by €38.6 million, or 7.5%, from €512.9 million for the nine months ended September 30, 2019 to €474.3 million for the nine months ended September 30, 2020. The decrease was primarily attributable to a lower intake of orders (€481.1 million for the nine months ended September 30, 2020 versus €542.6 million for the nine months ended September 30, 2019) during the height of the Covid-19 pandemic.

Tobacco packaging

Revenue from contracts with customers from our Tobacco packaging segment increased by €6.9 million, or 12.7%, from €54.3 million for the nine months ended September 30, 2019 to €61.2 million for the nine months ended September 30, 2020. The increase, which occurred despite lower Backlog at the beginning of the year and fewer new orders for next generation products, was primarily attributable to a one-off increase in deliveries in the third quarter, which we do not expect to be repeated in the fourth quarter.

Total cost of raw, ancillary and consumable materials and goods for resale and change in inventory

The following table provides a detail of total cost of raw, ancillary and consumable materials and goods for resale and change in inventory for the nine months ended September 30, 2020 and 2019:

	For the nine months ended September 30,					
	2020		2019		Change 2020/2019	
	(€ millions)	*(% revenue)*	*(€ millions)*	*(% revenue)*	*(€ millions)*	*(%)*
Change in work in progress, semifinished and finished goods	*55.1*	*5.4*	*49.3*	*4.9*	*5.8*	*11.8*
Change in inventory of raw, ancillary and consumable materials	*13.4*	*1.3*	*9.1*	*0.9*	*4.3*	*47.3*
Cost of raw, ancillary and consumable materials and goods for resale	*(428.4)*	*(42.2)*	*(412.6)*	*(40.9)*	*(15.8)*	*(3.8)*
Total Cost of raw, ancillary and consumable materials and goods for resale and change in inventory	**(359.9)**	**(35.5)**	**(354.2)**	**(35.1)**	**(5.7)**	**(1.6)**

Total cost of raw, ancillary and consumable materials and goods for resale and change in inventory amounted to €359.9 million for the nine months ended September 30, 2020, an increase of €5.7 million, or 1.6%, compared to €354.2 million for the nine months ended September 30, 2019. As a percentage of revenue, our total cost of raw, ancillary and consumable materials and goods for resale and change in inventory increased from 35.1% to 35.5% over the same period. The increase was primarily attributable to a different product mix of sales in the first nine months of 2020. In recent years, approximately 80% of our total cost of sales is variable, which gives us great flexibility in our planning and budgeting.

Service, rentals and leases

Service, rentals and leases amounted to €202.5 million for the nine months ended September 30, 2020, a decrease of €27.1 million, or 11.8%, compared to €229.6 million for the nine months ended September 30, 2019. As a percentage of revenue, Service, rentals and leases decreased from 22.8% to 19.9% over the same period. The decrease was primarily attributable to a different sales and product mix that included more products with lower costs of production.

Personnel costs

Personnel costs amounted to €318.1 million for the nine months ended September 30, 2020, an increase of €3.4 million, or 1.1%, compared to €314.7 million for the nine months ended September 30, 2019. As a percentage of revenue, Personnel costs remained relatively constant, increasing slightly from 31.2% to 31.3% over the same period. Over the same period, our number of employees also remained relatively constant, decreasing slightly from 6,163 as of September 30, 2018 to 6,121 as of September 30, 2020. Our ability to maintain costs while growing revenue supports the profitability for our labor-intensive business.

Capitalized costs

Capitalized costs amounted to €17.1 million for the nine months ended September 30, 2020, a decrease of €0.1 million, or 0.6%, compared to €17.2 million for the nine months ended September 30, 2019. As a percentage of revenue, our Capitalized costs remained constant at 1.7% over the same period.

Depreciation, amortization and write-downs

Depreciation, amortization and write-downs amounted to €70.0 million for the nine months ended September 30, 2020, an increase of €15.1 million, or 27.5%, compared to €54.9 million for the nine months ended September 30, 2019. As a percentage of revenue, Depreciation, amortization and write-downs increased from 5.4% to 6.9% over the same period. The increase in amortization mainly relates to development costs and intangible assets recognized as part of acquisitions made during the second half of 2019.

Other operating costs

Other operating costs amounted to €8.5 million for the nine months ended September 30, 2020, an increase of €1.0 million, or 13.3%, compared to €7.5 million for the nine months ended September 30, 2019. As a percentage of revenue, Other operating costs remained relatively constant, increasing slightly from 0.7% to 0.8% over the same period.

Net financial income and expense

Net financial income and expense is an expense for €19.2 million for the nine months ended September 30, 2020, while it was an income of €43.6 million for the nine months ended September 30, 2019 mainly due to the remeasurement at fair value of the 25.0% interest already held in ATOP, for €56.3 million, which took place in 2019 on the date control was acquired as part of a business combination achieved in stages.

Profit (loss) from investments accounted for using the equity method

Profit (loss) from investments accounted for using the equity amounted to €3.8 million for the nine months ended September 30, 2020, an increase of €0.7 million, or 22.6%, compared to €3.1 million for the nine months ended September 30, 2019.

Taxes

Taxes amounted to €19.4 million for the nine months ended September 30, 2020, a decrease of €8.5 million, or 30.5%, compared to €27.9 million for the nine months ended September 30, 2019, corresponding to an effective taxation rate equal to 32.4%. The decrease was mainly related to the decrease in Profit before taxes, which was driven by the recognition in 2019 of the remeasurement at fair value of the 25.0% interest already held in ATOP, for €56.3 million.

Profit for the period

Profit for the period amounted to €40.4 million for the nine months ended September 30, 2020, a decrease of €50.3 million, or 55.5%, compared to €90.7 million for the nine months ended September 30, 2019, due to the factors mentioned above.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

The following table sets forth certain items from our consolidated income statement for the year ended December 31, 2019 compared to the year ended December 31, 2018 and as a percentage of our total revenue.

Income Statement Data

	For the year ended December 31,					
	2019		2018 RESTATED		Change 2019/2018	
	(€ millions)	*(% revenue)*	*(€ millions)*	*(% revenue)*	*(€ millions)*	*(%)*
Revenue from contracts with customers	**1,595.5**	**100.0**	**1,500.4**	**100.0**	**95.1**	**6.3**
Other revenue	**13.1**	**0.8**	**13.1**	**0.9**	**—**	**—**
Operating costs						
Change in work in progress, semifinished and finished goods	*1.5*	*0.1*	*(6.1)*	*(0.4)*	*7.6*	*n.s.*
Change in inventory of raw, ancillary and consumable materials	*—*	*—*	*10.6*	*0.7*	*(10.6)*	*(100.0)*
Cost of raw, ancillary and consumable materials and goods for resale	*(598.1)*	*(37.5)*	*(555.4)*	*(37.0)*	*(42.7)*	*(7.7)*
Service, rentals and leases	*(324.1)*	*(20.3)*	*(321.1)*	*(21.4)*	*(3.0)*	*(0.9)*
Personnel costs	*(429.0)*	*(26.9)*	*(394.8)*	*(26.3)*	*(34.2)*	*(8.7)*
Capitalized costs	*27.1*	*1.7*	*20.8*	*1.4*	*6.3*	*30.3*
Depreciation, amortization and write-downs	*(81.6)*	*(5.1)*	*(44.1)*	*(2.9)*	*(37.5)*	*(85.0)*
Provisions for risks and charges	*(1.0)*	*(0.1)*	*(0.1)*	*—*	*(0.9)*	*n.s.*
Other operating costs	*(10.9)*	*(0.7)*	*(13.2)*	*(0.9)*	*2.3*	*17.4*
Total Operating costs	**(1,416.1)**	**(88.8)**	**(1,303.4)**	**(86.9)**	**(112.7)**	**(8.6)**
Operating profit (EBIT)	**192.5**	**12.1**	**210.1**	**14.0**	**(17.6)**	**(8.4)**
—of which: effect of non-recurring items	*(7.6)*	*(0.5)*	*(6.4)*	*(0.4)*	*(1.3)*	*(20.6)*
Financial Income	*79.7*	*5.0*	*34.1*	*2.3*	*45.6*	*n.s.*
Financial Expense	*(43.1)*	*(2.7)*	*(34.6)*	*(2.3)*	*(8.5)*	*(24.6)*
Net financial income and expense	36.6	2.3	(0.5)	—	37.1	n.s.
Profit (Loss) from investments accounted for using the equity method	(4.7)	(0.3)	2.4	0.2	(7.1)	n.s
Profit before taxes	**224.4**	**14.1**	**212.0**	**14.1**	**12.4**	**5.8**
Taxes	**(54.8)**	**(3.4)**	**(61.2)**	**(4.1)**	**6.4**	**10.5**
Net profit from continuing operations	**169.6**	**10.6**	**150.8**	**10.1**	**18.8**	**12.5**
Profit (loss) from discontinued operations/disposal groups	—	—	(26.2)	(1.7)	26.2	100.0
Profit for the year	**169.6**	**10.6**	**124.6**	**8.3**	**45.0**	**36.1**
Profit attributable to non-controlling interests	(0.4)	—	(20.6)	(1.4)	20.2	98.1
Profit attributable to equity holders of the parent	**169.2**	**10.6**	**104.0**	**6.9**	**65.2**	**62.7**
Basic and diluted earnings per share (€)	**4.26**		**2.65**			

Revenue from contracts with customers

Our revenue from contracts with customers amounted to €1,595.5 million for the year ended December 31, 2019, an increase of €95.1 million, or 6.3%, compared to €1,500.4 million for the year ended December 31, 2018, mainly due to the contribution from the new acquisitions (primarily ATOP, and, to a lesser extent, Spreafico, Tecmar and Perfect Pack) for €75.3 million.

The following table provides a breakdown of revenue from contracts with customers by our geographical areas for the years ended December 31, 2019 and 2018.

Revenue from contracts with customers by Segment and Geographical Area

	For the year ended December 31,					
	2019		2018		Change 2019/2018	
	(€ millions)	*(% revenue)*	*(€ millions)*	*(% revenue)*	*(€ millions)*	*(%)*
Tea, Food & Other						
European Union (excluding Italy)	222.5	13.9	203.1	13.5	19.4	9.6
Other European countries	75.9	4.8	67.1	4.5	8.8	13.1
North America	182.1	11.4	153.0	10.2	29.1	19.0
Asia & Middle East	144.2	9.0	114.4	7.6	29.8	26.0
Italy	92.4	5.8	74.7	5.0	17.7	23.7
Other countries	87.5	5.5	73.9	4.9	13.6	18.4
Total	**804.6**	**50.4**	**686.2**	**45.7**	**118.4**	**17.3**
Pharmaceutical						
European Union (excluding Italy)	197.1	12.3	191.1	12.7	6.0	3.1
Other European countries	28.6	1.8	37.8	2.5	(9.2)	(24.3)
North America	130.5	8.2	88.1	5.9	42.4	48.1
Asia & Middle East	171.7	10.8	157.4	10.5	14.3	9.1
Italy	85.6	5.4	81.6	5.5	4.0	4.9
Other countries	86.1	5.4	75.3	5.0	10.8	14.3
Total	**699.6**	**43.9**	**631.3**	**42.1**	**68.3**	**10.8**
Tobacco packaging						
European Union (excluding Italy)	31.7	2.0	55.8	3.7	(24.1)	(43.2)
Other European countries	4.6	0.3	10.1	0.7	(5.5)	(545)
North America	1.1	0.1	—	—	1.1	—
Asia & Middle East	38.8	2.4	103.9	6.9	(65.1)	(62.7)
Italy	14.8	0.9	11.4	0.8	3.4	29.8
Other countries	0.3	0.0	1.7	0.1	(1.4)	(82.4)
Total	**91.3**	**5.7**	**182.9**	**12.2**	**(91.6)**	**(50.1)**
All the Segments						
European Union (excluding Italy)	451.3	28.2	450.0	29.9	1.3	0.3
Other European countries	109.1	6.9	115.0	7.7	(5.9)	(5.1)
North America	313.7	19.7	241.1	16.1	72.6	30.1
Asia & Middle East	354.7	22.2	375.7	25.0	(21.0)	(5.6)
Italy	192.8	12.1	167.7	11.3	25.1	15.0
Other countries	173.9	10.9	150.9	10.0	23.0	15.2
Total	**1,595.5**	**100.0**	**1,500.4**	**100.0**	**95.1**	**6.3**

Tea, Food & Other

Revenue from contracts with customers from our Tea, Food & Other segment increased by €118.4 million, or 17.3%, from €686.2 million for the year ended December 31, 2018 to €804.6 million for the year ended December 31, 2019. The increase was primarily attributable to the contributions made to the revenue in the year ended December 31, 2019 by the ATOP, Spreafico and Tecmar businesses (€72.7 million).

Pharmaceutical

Revenue from contracts with customers from our Pharmaceutical segment increased by €68.3 million, or 10.8%, from €631.3 million for the year ended December 31, 2018 to €699.6 million for the year ended December 31, 2019. The increase was primarily attributable to organic growth and further benefited from a €2.6 million contribution to revenue by Perfect Pack, which was acquired during the year.

Tobacco packaging

Revenue from contracts with customers from our Tobacco packaging segment decreased by €91.6 million, or 50.1%, from €182.9 million for the year ended December 31, 2018 to €91.3 million for the year ended December 31, 2019. The decrease was primarily attributable to elevated capital expenditures by key customers in 2017 and 2018, followed by a drop in capital expenditures in 2019.

Cost of raw, ancillary and consumable materials and goods for resale and change in inventory

The following table provides a detail of total cost of raw, ancillary and consumable materials and goods for resale and change in inventory for the years ended December 31, 2019 and 2018:

	For the year ended December 31,					
	2019		2018		Change 2019/2018	
	(€ millions)	*(% revenue)*	*(€ millions)*	*(% revenue)*	*(€ millions)*	*(%)*
Change in work in progress, semifinished and finished goods	*1.5*	*0.1*	*(6.1)*	*(0.4)*	*7.6*	*n.s.*
Change in inventory of raw, ancillary and consumable materials	—	—	*10.6*	*0.7*	*(10.6)*	*(100.0)*
Cost of raw, ancillary and consumable materials and goods for resale	*(598.1)*	*(37.5)*	*(555.4)*	*(37.0)*	*(42.7)*	*(7.7)*
Total Cost of raw, ancillary and consumable materials and goods for resale and change in inventory	**(596.6)**	**(37.4)**	**(550.9)**	**(36.7)**	**(45.7)**	**(8.3)**

Total cost of raw, ancillary and consumable materials and goods for resale and change in inventory amounted to €596.6 million for the year ended December 31, 2019, an increase of €45.7 million, compared to €550.9 million for the year ended December 31, 2018. The increase in this cost was primarily attributable to (i) increase in volumes, (ii) different product mix that characterized the first part of the year and (iii) the effect of consolidation of new acquisitions (ATOP, Spreafico, Perfect Pack). As a percentage of revenue, our total cost of raw, ancillary and consumable materials and goods for resale and change in inventory increased from 36.7% to 37.4% over the same period. On average, between 2018 and 2019, approximately 80% of our cost of sales is variable, which gives us great flexibility in our planning and budgeting.

Service, rentals and leases

Service, rentals and leases costs amounted to €324.1 million for the year ended December 31, 2019, an increase of €3.0 million, or 0.9%, compared to €321.1 million for the year ended December 31, 2018. This increase was mainly due to an increase in technical, legal, tax and administrative consulting services primarily attributable to the effect of consolidation of new acquisitions (ATOP, Spreafico, Perfect Pack) and to non-recurring costs relating to the merger by incorporation of Gima TT S.p.A., which was partially offset by a decrease in rental charges in relation to the application of IFRS 16. As a percentage of revenue, our Service, rentals and leases decrease from 21.4% to 20.3% over the same period.

Personnel costs

Personnel costs amounted to €429.0 million for the year ended December 31, 2019, an increase of €34.2 million, or 8.7%, compared to €394.8 million for the year ended December 31, 2018. This change was primarily attributable to the increased number of employees and contractors following consolidation of newly acquired entities (ATOP, Spreafico, Perfect Pack and Tecmar) and the increase in labor cost attributable to (i) the additional effect of the renewal of the Italian national labor agreement (CCNL Metalmeccanici), and (ii) higher bonus pay under the various internal supplementary labor agreements as well as our bonus policy. As a percentage of revenue, our personnel costs increased from 26.3% to 26.9% over the same period. Over the same period, our average number of employees also increased, increasing from 5,456 for the year ended December 31, 2018 to 5,949 as of December 31, 2019.

Capitalized costs

Capitalized costs amounted to €27.1 million for the year ended December 31, 2019, an increase of €6.3 million, or 30.3%, compared to €20.8 million for the year ended December 31, 2018. This increase was primarily attributable to the costs capitalized for the development of new models of machines and new technologies. As a percentage of revenue, our capitalized costs increased from 1.4% to 1.7% over the same period.

Depreciation, amortization and write-downs

Depreciation, amortization and write-downs amounted to €81.6 million for the year ended December 31, 2019, an increase of €37.5 million, or 85.0%, compared to €44.1 million for the year ended December 31, 2018. As a percentage of revenue, our Depreciation, amortization and write-downs costs increased from 2.9% to 5.1% over the same period. This increase was primarily related to the depreciation (€25.9 million) of rights of use assets in accordance with the IFRS16. The other increase mainly refers to development costs and intangible assets recognized as part of acquisitions made during the year.

Other operating costs

Other operating costs amounted to €10.9 million for the year ended December 31, 2019, a decrease of €2.3 million, or 17.4%, compared to €13.2 million for the year ended December 31, 2018. As a percentage of revenue, our other operating costs decreased from 0.9% to 0.7% over the same period.

Net financial income and expense

Net financial income and expenses amounted to an income of €36.6 million for the year ended December 31, 2019, compared to an expense of €0.5 million for the year ended December 31, 2018, due to the remeasurement at fair value of the 25.0% interest already held in ATOPbi S.p.A. equal to €54.9 million, which took place on the date of acquisition of control in 2019, net of the higher financial charges relating to the application of IFRS 16 for €4.2 million, the remeasurement at fair value of the interest in Petroncini S.p.A. for €11.6 million income that occurred in the previous year and the change in exchange differences for €4.3 million.

Profit (loss) from investments accounted for using the equity method

Loss from investments accounted for using the equity method amounted to €4.7 million for the year ended December 31, 2019, a decrease of €7.1 million compared to the profit of €2.4 million for the year ended December 31, 2018, mainly due to the impairment loss of IMA Dairy & Food Holding GmbH, held 40.0% by IMA S.p.A.

Taxes

Taxes amounted to €54.8 million for the year ended December 31, 2019, a decrease of €6.4 million, or 10.5%, compared to €61.2 million for the year ended December 31, 2018, and corresponding to an effective taxation rate equal to 24.4%. The decrease was mainly due to the remeasurement at fair value of the interest in ATOP (not subject to tax).

Net profit from continuing operations

Net profit from continuing operations amounted to €169.6 million for the year ended December 31, 2019, an increase of €18.8 million, or 12.5%, compared to €150.8 million for the year ended December 31, 2018.

Profit (Loss) from discontinued operations/disposal groups

The negative balance relating to discontinued operations, €26.2 million in 2018, referred to the sale of 60.0% of IMA Dairy & Food Holding GmbH.

Profit for the year

Profit for the year amounted to €169.6 million for the year ended December 31, 2019, an increase of €45.0 million, or 36.1%, compared to €124.6 million for the year ended December 31, 2018, due to the factors mentioned above.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

The following table sets forth certain items from our consolidated income statement for the year ended December 31, 2018 compared to the year ended December 31, 2017 and as a percentage of our total revenue.

In the consolidated financial statements for the year ended December 31, 2018, the comparative income statement information for the year ended December 31, 2017 was restated to reflect the disposal of 60.0% of the investment in IMA Dairy & Food Holding GmbH, occurred in 2018.

Income Statement Data

	For the year ended December 31,					
	2018 RESTATED		2017 RESTATED		Change 2018/2017	
	(€ millions)	*(% revenue)*	*(€ millions)*	*(% revenue)*	*(€ millions)*	*(%)*
Revenue from contracts with customers	**1,500.4**	**100.0**	**1,320.2**	**100.0**	**180.2**	**13.6**
Other revenue	**13.1**	**0.9**	**26.5**	**2.0**	**(13.4)**	**(50.6)**
Operating costs						
Change in work in progress, semifinished and finished goods	*(6.1)*	*(0.4)*	*14.7*	*1.1*	*(20.8)*	*n.s.*
Change in inventory of raw, ancillary and consumable materials	*10.6*	*0.7*	*5.3*	*0.4*	*5.3*	*100.0*
Cost of raw, ancillary and consumable materials and goods for resale	*(555.4)*	*(37.0)*	*(481.4)*	*(36.5)*	*(74.0)*	*(15.4)*
Service, rentals and leases	*(321.1)*	*(21.4)*	*(294.3)*	*(22.3)*	*(26.8)*	*(9.1)*
Personnel costs	*(394.8)*	*(26.3)*	*(362.3)*	*(27.4)*	*(32.5)*	*(9.0)*
Capitalized costs	*20.8*	*1.4*	—	—	*20.8*	—
Depreciation, amortization and write-downs	*(44.1)*	*(2.9)*	*(33.4)*	*(2.5)*	*(10.7)*	*(32.0)*
Provisions for risks and charges	*(0.1)*	—	*(0.6)*	—	*0.5*	*83.3*
Other operating costs	*(13.2)*	*(0.9)*	*(8.9)*	*(0.7)*	*(4.3)*	*(48.3)*
Total Operating costs	**(1,303.4)**	**(86.9)**	**(1,160.9)**	**(87.9)**	**(142.5)**	**(12.3)**
Operating profit (EBIT)	**210.1**	**14.0**	**185.8**	**14.1**	**24.3**	**13.1**
—of which: effect of non-recurring items	*(6.4)*	*(0.4)*	*(5.4)*	*(0.4)*	*(1.0)*	*(18.5)*
Financial Income	*34.1*	*2.3*	*26.6*	*2.0*	*7.5*	*28.2*
Financial Expense	*(34.6)*	*(2.3)*	*(41.9)*	*(3.2)*	*7.3*	*17.4*
Net financial income and expense	(0.5)	—	(15.3)	(1.2)	14.8	96.7
Profit (Loss) from investments accounted for using the equity method	2.4	0.2	1.3	0.1	1.1	84.6
Profit before taxes	**212.0**	**14.1**	**171.8**	**13.0**	**40.2**	**23.4**
Taxes	**(61.2)**	**(4.1)**	**(52.4)**	**(4.0)**	**(8.8)**	**(16.8)**
Net profit from continuing operations	**150.8**	**10.1**	**119.4**	**9.0**	**31.4**	**26.3**
Profit (loss) from discontinued operations/disposal groups	(26.2)	(1.7)	(20.0)	(1.5)	(6.2)	(31.0)
Profit for the year	**124.6**	**8.3**	**99.4**	**7.5**	**25.2**	**25.4**
Profit attributable to non-controlling interests	(20.6)	(1.4)	(13.8)	(1.0)	(6.8)	(49.3)
Profit attributable to equity holders of the parent	**104.0**	**6.9**	**85.6**	**6.5**	**18.4**	**21.5**
Basic and diluted earnings per share (€)	**2.65**		**2.18**			

Revenue from contracts with customers

Our revenue from contracts with customers amounted to €1,500.4 million for the year ended December 31, 2018, an increase of €180.2 million, or 13.6%, compared to €1,320.2 million for the year ended December 31, 2017, primarily attributable to the organic growth with respect to the previous year in Pharmaceutical and Tobacco packaging and acquisitions in Tea, Food & Other that contributed €64.7 million to our revenue.

The following table provides a breakdown of revenue from contracts with customers by our geographical areas for the year ended December 31, 2018 and 2017.

Revenue from contracts with customers by Geographical Area

	For the year ended December 31,				Change 2018/2017	
	2018		2017 RESTATED			
	(€ millions)	*(% revenue)*	*(€ millions)*	*(% revenue)*	*(€ millions)*	*(%)*
Tea, Food & Other						
European Union (excluding Italy)	203.1	13.5	205.7	15.6	(2.6)	(1.3)
Other European countries	67.1	4.5	61.2	4.6	5.9	9.6
North America	153.0	10.2	120.8	9.1	32.2	26.7
Asia & Middle East	114.4	7.6	87.1	6.6	27.3	31.3
Italy	74.7	5.0	63.0	4.8	11.7	18.6
Other countries	73.9	4.9	64.7	4.9	9.2	14.2
Total	**686.2**	**45.7**	**602.5**	**45.6**	**83.7**	**13.9**
Pharmaceutical						
European Union (excluding Italy)	191.1	12.7	152.9	11.6	38.2	25.0
Other European countries	37.8	2.5	29.4	2.2	8.4	28.6
North America	88.1	5.9	103.8	7.9	(15.7)	(15.1)
Asia & Middle East	157.4	10.5	157.3	11.9	0.1	—
Italy	81.6	5.5	58.0	4.4	23.6	40.7
Other countries	75.3	5.0	64.5	4.9	10.8	16.7
Total	**631.3**	**42.1**	**565.9**	**42.9**	**65.4**	**11.6**
Tobacco packaging						
European Union (excluding Italy)	55.8	3.7	42.3	3.2	13.5	31.9
Other European countries	10.1	0.7	17.0	1.3	(6.9)	(40.6)
North America	—	—	0.7	0.1	(0.7)	(100.0)
Asia & Middle East	103.9	6.9	46.0	3.5	57.9	125.9
Italy	11.4	0.8	41.6	3.1	(30.2)	(72.6)
Other countries	1.7	0.1	4.2	0.3	(2.5)	(59.5)
Total	**182.9**	**12.2**	**151.8**	**11.5**	**31.1**	**20.5**
All the Segments						
European Union (excluding Italy)	450.0	29.9	400.9	30.4	49.1	12.2
Other European countries	115.0	7.7	107.6	8.1	7.4	6.9
North America	241.1	16.1	225.3	17.1	15.8	7.0
Asia & Middle East	375.7	25.0	290.4	22.0	85.2	29.4
Italy	167.7	11.3	162.6	12.3	5.1	3.1
Other countries	150.9	10.0	133.4	10.1	17.6	13.1
Total	**1,500.4**	**100.0**	**1,320.2**	**100.0**	**180.2**	**13.6**

Tea, Food & Other

Revenue from contracts with customers from our Tea, Food & Other segment increased by €83.7 million, or 13.9%, from €602.5 million for the year ended December 31, 2017 to €686.2 million for the year ended December 31, 2018. The increase was primarily attributable to contributions from the new acquisitions (TMC, Ciemme and Petroncini businesses) for €64.7 million.

Pharmaceutical

Revenue from contracts with customers from our Pharmaceutical segment increased by €65.4 million, or 11.6%, from €565.9 million for the year ended December 31, 2017 to €631.3 million for the year ended December 31, 2018. The increase was primarily attributable to organic sales to current and new customers.

Tobacco packaging

Revenue from contracts with customers from our Tobacco packaging segment increased by €31.1 million, or 20.5%, from €151.8 million for the year ended December 31, 2017 to €182.9 million for the year ended December 31, 2018. The increase was primarily attributable to a large volume of capital expenditures to new and existing customers.

Cost of raw, ancillary and consumable materials and goods for resale and change in inventory

The following table provides a detail of total cost of raw, ancillary and consumable materials and goods for resale and change in inventory for the years ended December 31, 2018 and 2017:

	For the year ended December 31,					
	2018		2017 RESTATED		Change 2018/2017	
	(€ millions)	*(% revenue)*	*(€ millions)*	*(% revenue)*	*(€ millions)*	*(%)*
Change in work in progress, semifinished and finished goods	*(6.1)*	*(0.4)*	*14.7*	*1.1*	*(20.8)*	*n.s.*
Change in inventory of raw, ancillary and consumable materials	*10.6*	*0.7*	*5.3*	*0.4*	*5.3*	*100.0*
Cost of raw, ancillary and consumable materials and goods for resale	*(555.4)*	*(37.0)*	*(481.4)*	*(36.5)*	*(74.0)*	*(15.4)*
Total Cost of raw, ancillary and consumable materials and goods for resale and change in inventory	**(550.9)**	**(36.7)**	**(461.4)**	**(35.0)**	**(89.5)**	**(19.4)**

Total cost of raw, ancillary and consumable materials and goods for resale and change in inventory amounted to €550.9 million for the year ended December 31, 2018, an increase of €89.5 million, or 19.4%, compared to €461.4 million for the year ended December 31, 2017. The increase in this cost was primarily attributable to (i) increase in volumes and (ii) different product mix that included higher costs of production. As a percentage of revenue, our total cost of raw, ancillary and consumable materials and goods for resale and change in inventory increased from 35.0% to 36.7% over the same period. In recent years, approximately 80% of our total cost of sales is variable, which gives us great flexibility in our planning and budgeting.

Service, rentals and leases

Service, rentals and leases costs amounted to €321.1 million for the year ended December 31, 2018, an increase of €26.8 million, or 9.1%, compared to €294.3 million for the year ended December 31, 2017. This increase was primarily attributable to the contribution made by the TMC, Ciemme and Petroncini businesses. As a percentage of revenue, our Service, rentals and leases decreased from 22.3% to 21.4% over the same period.

Personnel costs

Personnel costs amounted to €394.8 million for the year ended December 31, 2018, an increase of €32.5 million, or 9.0%, compared to €362.3 million for the year ended December 31, 2017. This change was primarily attributable to the increased number of employees and contractors following the consolidation of the newly acquired entities (TMC, Ciemme and Petroncini) and the increased in labor cost attributable to (i) the effect of the application of the renewal of the Italian national labor agreement (CCNL Metalmeccanici), and (ii) higher bonus pay under the various internal supplementary labor agreements as well as our bonus policy. As a percentage of revenue, our personnel costs decreased from 27.4% to 26.3% over the same period. Over the same period, our number of employees remained relatively constant, decreasing slightly from 5,613 as of December 31, 2017 to 5,623 as of December 31, 2018.

Capitalized costs

Capitalized costs amounted to €20.8 million for the year ended December 31, 2018 compared to €14.3 million for the year ended December 31, 2017 where such cost were classified as “Other revenue”.

Depreciation, amortization and write-downs

Depreciation, amortization and write-downs amounted to €44.1 million for the year ended December 31, 2018, an increase of €10.7 million, or 32.0%, compared to €33.4 million for the year ended December 31, 2017. This increase was primarily related to development costs and intangible assets recognized as part of acquisitions made during the year. As a percentage of revenue, our Depreciation, amortization and write-downs increased from 2.5% to 2.9% over the same period.

Other operating costs

Other operating costs amounted to €13.2 million for the year ended December 31, 2018, an increase of €4.3 million, or 48.3%, compared to €8.9 million for the year ended December 31, 2017. This increase was primarily related to other costs attributable to the new acquisitions made during the year and to the non-recurring costs related to the reorganization of the Ilapak business and ancillary charge on the new acquisitions. As a percentage of revenue, our other operating costs increased from 0.7% to 0.9% over the same period.

Net financial income and expense

Net financial expense amounted to €0.5 million for the year ended December 31, 2018, a decrease of €14.8 million compared to €15.3 million for the year ended December 31, 2017. The decrease was mainly due to remeasurement at fair value of the interest in Petroncini in 2018, amounting to €11.6 million income, and to exchange gains for €3.6 million.

Profit (loss) from investments accounted for using the equity method

Profit (loss) from investments accounted for using the equity method amounted to €2.4 million for the year ended December 31, 2018, an increase of €1.1 million compared to €1.3 million for the year ended December 31, 2017.

Taxes

Taxes amounted to €61.2 million for the year ended December 31, 2018, an increase of €8.8 million, or 16.8%, compared to €52.4 million for the year ended December 31, 2017, and corresponding to an effective taxation rate equal to 28.9%.

Net profit from continuing operations

Net profit from continuing operations amounted to €150.8 million for the year ended December 31, 2018, an increase of €31.4 million, or 26.3%, compared to €119.4 million for the year ended December 31, 2017.

Profit (Loss) from discontinued operations/disposal groups

The loss relating to discontinued operations, amounted to €26.2 million for the year ended December 31, 2018 and €20.0 million for the year ended December 31, 2017 and refers to the sale of 60.0% of IMA Dairy & Food Holding GmbH.

Profit for the year

Profit for the year amounted to €124.6 million for the year ended December 31, 2018, an increase of €25.2 million, or 25.4%, compared to €99.4 million for the year ended December 31, 2017, due to the factors mentioned above.

Liquidity and Capital Resources

Cash Flow—Years Ended December 31, 2017, 2018 and 2019 and nine months ended September 30, 2019 and 2020

The following table summarizes our consolidated cash flow statements for the years ended December 31, 2017, 2018 and 2019 and for the nine months ended September 30, 2019 and 2020.

	For the year ended December 31,			For the nine months ended September 30,	
	2017	2018	2019	2019	2020
			(€ millions)		
Cash flow provided by/(used in) operating activities (A)(*)	115.1	120.5	161.5	(8.5)	8.0
Cash flow used in investing activities (B)	(91.5)	(137.1)	(305.6)	(287.2)	(33.6)
Cash flow provided by/(used in) financing activities (C)	(18.0)	(49.2)	113.9	247.0	79.4
Net change in cash and cash equivalents (D = A+B+C)	**5.6**	**(65.8)**	**(30.2)**	**(48.7)**	**53.8**
Cash and cash equivalents at the beginning of the year/period (E)	**201.1**	**206.7**	**140.9**	**140.9**	**110.7**
Cash and cash equivalents at the end of the year/period (F = D+E)	**206.7**	**140.9**	**110.7**	**92.2**	**164.5**

(*) The Group classifies interest and dividends as cash flows from financing activities.

Cash flow provided by/(used in) operating activities

Cash flow provided by operating activities amounted to €8.0 million for the nine months ended September 30, 2020, an increase of €16.5 million, compared to (€8.5) million for the nine months ended September 30, 2019. The cash flow provided by operating activities during the first three quarters of 2020 increased primarily due to an increase in profits earned from our operations driven by the short-term factors that attributed to our increase in revenue over the same period. For an explanation of such factors, see "*Nine Months Ended September 30, 2020 Compared to Nine Months Ended September 30, 2019—Revenue from contracts with customers*."

Cash flow provided by operating activities amounted to €161.5 million for the year ended December 31, 2019, an increase of €41.0 million, or 34.0%, compared to €120.5 million for the year ended December 31, 2018. The cash flow provided by operating activities in 2019 increased primarily due to an increase in profits earned from our operations and an increase in the cash flows generated from working capital.

Cash flow provided by operating activities amounted to €120.5 million for the year ended December 31, 2018, an increase of €5.4 million, or 4.7%, compared to €115.1 million for the year ended December 31, 2017. The cash flow provided by operating activities in 2018 increased primarily due to an increase in profits earned from our operations, which was partially offset by an increase in the cash flows used in working capital.

Our cash flow provided by operating activities tend to be uneven across seasons, which is caused by the budgeting and spending practices of our customers, which are typical of institutions. Generally, our cash flow provided by/(used in) operating activities are higher in the fourth quarter of the calendar year as our customers budget for and purchase our products and services with a view toward their needs in the next calendar year.

Cash flow used in investing activities

Cash flow used in investing activities amounted to €33.6 million for the nine months ended September 30, 2020, a decrease of €253.6 million, or 88.3%, compared to €287.2 million for the nine months ended September 30, 2019. The decrease in cash flow used in our investment activities was mainly due to the acquisition of ATOP in the nine months ended September 30, 2019.

Cash flow used in investing activities amounted to €305.6 million for the year ended December 31, 2019, an increase of €168.5 million, or 122.9%, compared to €137.1 million for the year ended December 31, 2018. The increase in cash flow used in our investment activities was mainly due to the acquisitions during the year ended December 31, 2019.

Cash flow used in investing activities amounted to €137.1 million for the year ended December 31, 2018, an increase of €45.6 million, compared to €91.5 million for the year ended December 31, 2017. The increase in cash flow used in our investment activities was mainly due to the acquisition of several businesses and companies and the purchase of investments.

For more information about our historical acquisitions and how acquisitions play a role in our strategy, see "*Business—History*" and "*Business—Strategy—Continue to pursue strategic acquisitions*".

Cash flow provided by/(used in) financing activities

Cash flow provided by financing activities amounted to €79.4 million for the nine months ended September 30, 2020, a decrease of €167.6 million, compared to €247.0 million for the nine months ended September 30, 2019. The cash provided by financing activities in the first three quarters of 2020 decreased primarily due to a decrease in the granting of loans.

Cash flow provided by financing activities amounted to €113.9 million for the year ended December 31, 2019, compared to cash flow used in financing activities of €49.2 million for the year ended December 31, 2018. The increase in cash flow provided by financing activities was due primarily to new granting of loans.

Cash flow used in financing activities amounted to €49.2 million for the year ended December 31, 2018, compared to cash flow used in financing activities of €18.0 million for the year ended December 31, 2017. The increase in cash flow used in financing activities was due primarily to new granting of loans.

Net working capital

Net working capital is defined as the sum of Trade receivables and Inventories, less Trade payables and Other net.

The following table sets forth our Net working capital as of December 31, 2017, 2018 and 2019 and as of September 30, 2020:

	As of December 31,			As of September 30,
	2017	2018	2019	2020
			(€ millions)	
Trade receivables(1)	325.2	384.0	419.6	415.7
Inventories	309.7	319.7	344.2	411.1
Trade payables(2)	(502.6)	(514.7)	(520.5)	(479.2)
Other net(3)	(105.5)	(90.0)	(100.3)	(135.8)
Net working capital	**26.8**	**99.0**	**143.0**	**211.8**

(1) Trade receivables is defined as the sum of trade receivables and contract assets.
(2) Trade payables is defined as the sum of advances to suppliers, trade payables and contract liabilities.
(3) Other net is defined as the sum of income tax receivables, income tax liabilities, provisions for risks and charges non-current and current, tax receivables, deferred costs, other receivables, social security and defined-contribution plan payables, tax payables, due to employees, deposits and other payables.

As of December 31, 2017, 2018 and 2019 and as of September 30, 2020, our Net working capital position was, respectively, positive for €26.8 million, for €99.0 million, for €143.0 million and for €211.8 million.

The increase in Net working capital as of September 30, 2020 compared to December 31, 2019 was mainly due to the increase in inventories because of higher sales volumes and, above all, for the deliveries planned for the fourth quarter 2020.

The increase in Net working capital as of December 31, 2019 compared to December 31, 2018 was mainly due to (i) the increase in Inventories by €24.5 million, with the contribution of the newly acquired entities ATOP, Spreafico, Tecmar and Perfect Pack businesses for €19.0 million, and to the higher Backlog achieved at the end of 2019 and (ii) the increase in Trade receivables by €35.6 million, due to the effect of the consolidation of the ATOP, Spreafico, Tecmar and Perfect Pack businesses for €55.7 million.

The increase in Net working capital as of December 31, 2018 compared to December 31, 2017 was mainly related to the growth in sales volumes and the increase in trade receivables due to the effect of the consolidation of the TMC, Ciemme and Petroncini businesses for €19.0 million.

Available Liquidity and Capital Resources

Our liquidity requirements primarily relate to funding fluctuations in working capital, making capital expenditures for research and development and plant and equipment and meeting our ongoing debt service requirements. As of December 31, 2019, we had €126.4 million in available liquidity and, as of September 30, 2020, we had €181.6 million in available liquidity. We believe that our expected cash flows from operations together with available borrowings will be adequate to meet our expected capital expenditures, debt service, including payables for new acquisition and options for the purchase minority interest in subsidiaries, working capital and general liquidity needs.

The Issuer's liquidity requirements primarily relate to meeting its ongoing debt service requirements. Upon completion of the Acquisition, the Issuer's principal sources of funds are expected to be from its operating activities as well as the committed Revolving Credit Facility.

In addition, the Issuer, its direct parent and its subsidiaries have committed financing available under the bridge facilities described in "*Description of Certain Financing Arrangements*" in order to fund potential amounts required under the MTO.

Net financial debt

Net financial debt of the Company

The following table sets forth our Net financial debt as of the dates indicated.

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	(€ millions)	*(€ millions)*	*(€ millions)*	*(€ millions)*
A. Cash and cash equivalents	(206.7)	(140.9)	(110.7)	(164.5)
B. Other cash equivalents	(4.8)	(5.0)	(4.0)	(2.6)
C. Investments in securities	(6.6)	(8.0)	(11.7)	(14.5)
D. Liquidity (A)+(B)+(C)	**(218.1)**	**(153.9)**	**(126.4)**	**(181.6)**
E. Current financial receivables	**(6.6)**	**(9.1)**	**(2.5)**	**(3.1)**
F. Current payables to banks	50.6	79.2	81.8	227.7
G. Current portion of non-current payables	57.2	27.0	61.5	99.2
H. Other current financial payables	0.7	0.3	1.1	0.3
I. Current financial debt (F)+(G)+(H)	**108.5**	**106.5**	**144.4**	**327.2**
J. Net current financial debt (D)+(E)+(I)	**(116.2)**	**(56.5)**	**15.5**	**142.5**
K. Non-current portion of non-current bank payables	60.5	176.6	376.7	362.5
L. Bonds issued	105.5	100.3	145.0	100.0
M. Other non-current financial payables	1.5	6.4	142.4	138.8
N. Non-current financial assets	(1.3)	(42.2)	(42.5)	(42.9)
O. Net non-current financial debt (K)+(L)+(M)+(N)	**166.2**	**241.1**	**621.6**	**558.4**
P. Net financial debt (J)+(O)	**50.0**	**184.6**	**637.1**	**700.9**

Our Net financial debt was €700.9 million as of September 30, 2020, and our Net financial debt was €50.0 million, €184.6 million and €637.1 million as of December 31, 2017, 2018 and 2019, respectively. We also have payables for acquisitions relating to the options agreed for the purchase of the minority interests in subsidiaries totaling €103.0 million as of September 30, 2020, €113.9 million as of December 31, 2019, €65.9 million as of December 31, 2018 and €36.5 million as of December 31, 2017. See "*Risk Factors—Risks Relating to Our Financial Profile—Our substantial indebtedness could adversely affect our business and prevent us from fulfilling our obligations under the Notes*" and "*Description of Certain Financing Arrangements*".

Contractual Obligations

Contractual Obligations of the Company

The following table summarizes, as of September 30, 2020, on an amortized basis in accordance with our statement of financial position, our contractual obligations and commercial commitments (including principal payments we are obligated to make) under our debt instruments, capital and operating leases and other agreements. See "*Description of Certain Financing Arrangements.*"

	As of September 30, 2020
	(€ millions)
Payables to banks	
Within 1 year	257.9
From 1 to 5 years	360.0
Beyond 5 years	2.5
Total Payables to banks	**620.4**
Bond	
Within 1 year	46.2
From 1 to 5 years	50.1
Beyond 5 years	49.9
Total Bond	**146.2**
Other	
Within 1 year	0.3
From 1 to 5 years	0.2
Beyond 5 years	0.0
Total Other	**0.5**
Total Borrowings	**767.1**
Lease liabilities	
Within 1 year	22.8
From 1 to 5 years	79.8
Beyond 5 years	58.8
Total Lease liabilities	**161.4**
Total contractual obligations of the Company	**928.5**

Contractual Obligations of the Issuer as Adjusted for the Transactions

As of September 30, 2020 after giving effect to the Transactions, the only material contractual obligation of the Issuer will be the Notes being offered under this Offering Memorandum.

Capital Expenditures

The following table sets forth our gross capital expenditures and our capital expenditures as a percentage of total revenue for the period indicated.

	For the years ended December 31,						For the nine month ended September 30,	
	2017		2018		2019		2020	
	(€ millions)	*(% revenue)*	*(€ millions)*	*(% revenue)*	*(€ millions)*	*(% revenue)*	*(€ millions)*	*(% revenue)*
Capital expenditures on intangible assets(1)	20.1	1.5	22.1	1.5	32.9	2.1	19.0	1.9
Capital expenditures on tangible assets	21.1	1.6	35.7	2.4	25.4	1.6	15.7	1.5
Total gross capital expenditures	**41.2**	**3.1**	**57.8**	**3.9**	**58.3**	**3.7**	**34.7**	**3.4**
Sales / Write downs / Impairments	(4.5)	(0.3)	(0.8)	(0.1)	(0.7)	(0.1)	(3.8)	(0.4)
Capital expenditures	**36.7**	**2.8**	**57.0**	**3.8**	**57.6**	**3.6**	**30.9**	**3.0**

(1) Capital Expenditures refer to cash expenditures (including expenditures for the addition or improvement to or replacement of the assets owned by the Company) made to maintain the long-term operating capacity of the assets of the Company.

We make capital expenditures to support the long-term success of our business. Our capital expenditures include, among other things, the following: (i) the development costs incurred on totally new products for market segments not previously occupied; (ii) the purchase of plant, machinery and electronic machines; and (iii) the construction, expansion and adaptation of buildings.

Off-Balance Sheet Arrangements

As of September 30, 2020, and December 31, 2019, we had no relationships with unconsolidated entities or financial partnerships that were established to facilitate off-balance sheet arrangements.

Qualitative and Quantitative Disclosure about Market Risk

Credit Risk

We closely control our credit exposure through the allocation of credit limits to each customer and an internal reporting system. As of December 31, 2019, the credit exposure is not critical due to the large number of customers, their geographical distribution and the average amount of each account receivable. In particular, as of December 31, 2019, total trade receivables and contract assets amounted €419.6 million. An allowance for doubtful accounts of €19.4 million is in place, to cover potential losses on collection. We consider this amount sufficient to cover these potential losses.

The details of our total trade receivables and contract assets are set out in Section F note 10 of our audited consolidated financial statements.

Interest Rate Risk

We raise funds using debt and invest excess cash in money market and other financial instruments. The fluctuation of market interest rates influences the cost and returns of the debt and investment instruments, therefore affecting our net financial charges. Our policy is to limit the risk arising from interest rate fluctuations by establishing fixed interest loans or variable interest loans covered by derivative financial instruments, which are used to hedge risk and are never of a speculative nature, to minimize such fluctuations, as described in Section D) “Financial Risk Management” of the financial statements for the year ended December 31, 2019. As a result of this policy and considering the current amount of net debt, it is believed that the change in current interest rates would not have a significant impact on net financial expenses.

Foreign Currency Risk

We are exposed to foreign currency exchange rate fluctuations that can affect our operating results and the value of our equity. All companies are subject to exchange rate fluctuations affecting trade and financial balances in currencies different from their own. In order to limit this risk, in some cases non-speculative hedging instruments are negotiated.

Currently, such risk is not material since the large majority of our revenue are denominated in euro and the residual part are denominated in US dollars. We hedge our dollar risk on an order by order basis.

As of December 31, 2019, positions in currencies different from the euro in companies in countries belonging to the European Monetary Union, not covered by hedging instruments and which are material to our operations, and calculated using the respective euro exchange rates as of December 31, 2019, are the following:

- *US dollar*: (i) €60.5 million in trade receivables and contract assets; (ii) €4.2 million in advances, taxes and other receivables; (iii) €44.9 million in trade payables and contract liabilities; and (iv) €14.2 million in tax, employee and other payables.
- *Swiss franc*: (i) €17.0 million in trade receivables and contract assets; (ii) €3.4 million in advances, taxes and other receivables; (iii) €8.7 million in trade payables and contract liabilities; and (iv) €2.5 million in tax, employee and other payables.

For consolidation purposes the income statements and balance sheets of the Group companies located outside the European Monetary Union are converted from their local currencies into euros. The effect of exchange rate variations on the conversion of these values is recognized in the consolidated statement of comprehensive income and booked to the translation reserve in shareholders' equity which, as of December 31, 2019, is positive by €1.3 million.

Liquidity Risk

The liquidity risk to which we may be exposed is the inability to raise sufficient financial resources for our ongoing business and for the development of our industrial and commercial activities. The two main factors which determine our liquidity are (i) the cash generated or absorbed by operations and by investments and (ii) the expiry and renewal terms of debt or the degree of liquidity of financial investments and market conditions. As of December 31, 2019, we had at our disposal a supply of liquidity readily available for our operations and plentiful lines of credit granted by a number of leading Italian and international financial institutions. The terms and conditions of our financial assets and our loans are set out in Section F note 5 of our audited consolidated financial statements, which address, respectively, short-term financial investments, cash and cash equivalents, loans and bank overdrafts. We believe that the funds and credit lines currently available, in addition to those generated by operations and financing activities, are enough to satisfy investment needs, working capital requirements and the repayment of loans by their contractual due dates, as well as the committed Revolving Credit Facility upon completion of the Acquisition.

Critical Accounting Policies

We prepare our financial statements in accordance with IFRS which require the use of estimates, judgments and assumptions that affect the carrying amount of assets and liabilities, the disclosure of contingent assets and liabilities and the amounts of income and expenses recognized. The estimates and associated assumptions are based on elements that are known when the financial statements are prepared, on historical experience and on any other factors that are considered to be relevant.

Estimates

The estimates and underlying assumptions are reviewed periodically and continuously by us. If the items subject to estimates do not perform as assumed, then the actual results could differ from the estimates, which would require adjustments accordingly. The effects of any changes in estimate are recognized in the income statement in the period in which the adjustment is made, or prospectively in future periods.

The items requiring estimates for which there is a risk that a material difference may arise in respect of the carrying amounts of assets and liabilities in the future are discussed below.

An additional critical point for estimates and for their reviews in the interim financials of 2020 is the evolution of the Covid-19 pandemic and its impact on the economy, which is still hard to predict.

Revenue from contracts with customers and estimates of contractual risks

Revenue from contracts with customers for contract work and contract assets and liabilities, are based on the cost-to-cost method which requires a prior estimate of the entire lifetime costs of individual projects, updating them at each balance sheet date. This requires assumptions to be made by us. These assumptions can be affected by multiple factors, such as the time span of several years over which some projects are developed, their high level of technology and innovative content, the possible presence of price variations and revisions, and machinery performance guarantees, including an estimate of contractual risks, where applicable. These facts and circumstances make it difficult to estimate the projects' costs to complete and, consequently, to estimate the value of contract work in progress at the balance sheet date.

Goodwill and other intangible assets

Goodwill and other intangible assets, deriving from the allocation of the price of business combinations and the impairment test of such assets, require processes and methods for evaluating and determining estimates based on complex assumptions regarding revenue, operating costs, margins, investments, terminal value growth rates and discount rates, taking into consideration the conditions of the different markets in which the Group operates. These facts and circumstances make it difficult the application of these processes and methods and, consequently, to estimate the value of goodwill and intangible assets at the balance sheet date. We generally carry out the impairment of goodwill and other intangible assets when preparing the annual financial statements, when all of the information needed is available, except in cases where there are clear signs of impairment that require an immediate assessment of any loss in value. Since the Covid-19 pandemic constitutes an external factor of potential presumption of impairment (i.e. an impairment indicator), the sustainability of the impairment tests is being assessed also at interim date.

Certain information set forth in this section has been derived from external sources, including industry publications and reports, industry reports prepared by consultants and internal surveys. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. While we believe that these industry publications, surveys and forecasts are reliable, we have not independently verified them and cannot guarantee their accuracy or completeness. Certain information in this section has also been based on internal management analysis and in some cases combined with the aforementioned external sources. See "Market and Industry Data."

The market projections and other forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "Risk Factors" and "Forward-Looking Statements." Unless otherwise indicated, information in this section is based on our analysis of multiple sources.

Introduction

This section illustrates the end-markets where we operate and the competitive landscape of the reference markets. We are a global leader in the design and assembly of complex automated machinery for the product filling and primary packaging of pharmaceuticals, cosmetics, tea, coffee, certain other food products and tobacco. We generally operate in niches within these reference markets that we believe are highly resilient and fast growing, and we maintain a leadership position in many of them. Our three business segments (i) Tea, Food, & Other, (ii) Pharmaceutical, and (iii) Tobacco, are geared towards competing in these niches. We also provide complex machinery that is sometimes viewed as a separate end market (*i.e.*, automation), which we serve through our Tea, Food & Other segment. We sell our products worldwide to a loyal blue-chip customer base, both directly through our on-the-ground salesforce and, in selected markets, third party agents.

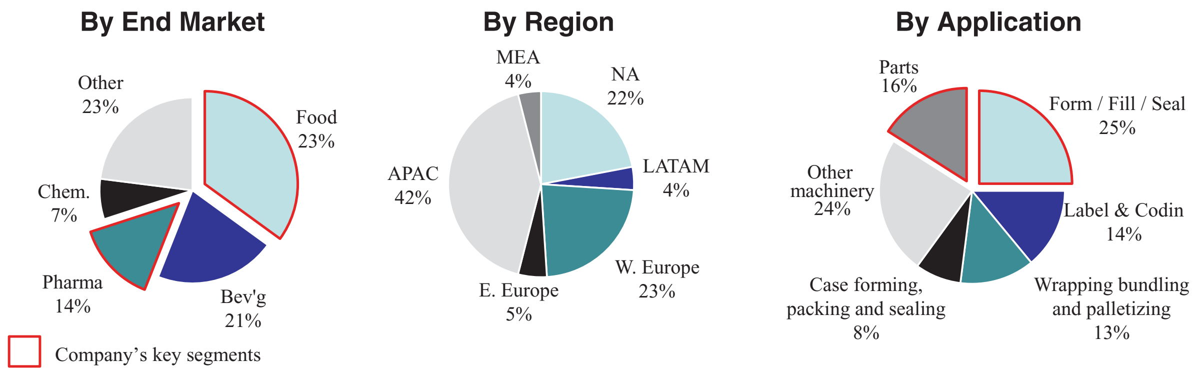
Overview of Original Equipment Manufacturing Market

Overview of packaging machinery market

The global packaging machinery market has been characterized by strong expansion in the last few years, accounting for €44.0 billion in revenue in 2018 and growing by approximately 5.0% per annum from 2014 to 2019. Our key directly addressable market, which consists of the pharmaceutical packaging machinery market and selected niches in the consumer packaging machinery market (e.g. tea, coffee, dairy, etc.), was approximately €8.0 billion (excluding e-cigarettes) in revenue in 2019, and grew at a CAGR of 5.4% from 2014 to 2019 and it is expected to grow at a CAGR of 5.7% from 2020 to 2024.

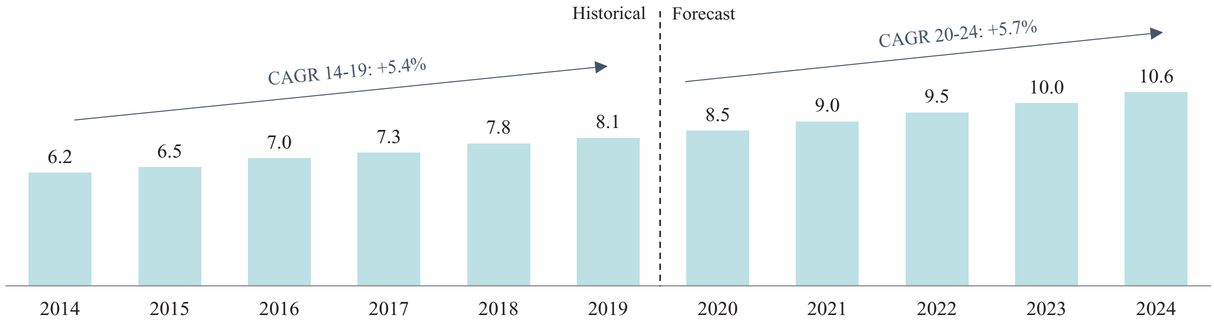
The following sets forth the total packaging machinery market broken down by end-market, region and application by revenue in 2018.

2018 Total Packaging Machinery Market



Source: Aggregated market information available to the Company

Summary end markets (in €bn)



Source: Aggregated market information available to the Company. Includes machinery for pharmaceuticals, and some specific consumer markets relevant to the Company, e.g. tea and coffee.

The pharmaceutical segment, together with personal care and chemicals, are expected to outpace general market growth, driven by rising living standards, whereas food applications is expected to grow the most in absolute terms, driven by climbing demand for packaged foods and convenience. Other potential expansion avenues lie within fast growing niches and adjacent markets, including e-commerce driven markets such as end of line automation and material handling.

Customer purchases are driven primarily by new product demand, as customers are required to increase capacity, improve production efficiency, and comply with a constantly changing regulatory environment in addition to replacement of old machinery.

Western European producers like us are expected to benefit the most from market growth given their global reach, technologically sophisticated equipment, and the growing demand for quality across all regions.

Global Trends

The outbreak of the virus “SARS-CoV-2” in the first quarter of 2020 and its continuing spread represented and still represents an unprecedented challenge for the global economy and has had, and will continue to have, significant socio-economic impacts (the “**Covid-19 Pandemic**”).

Notwithstanding the negative impact of the Covid-19 Pandemic on the global economy, it is anticipated that its effect will reinforce some of the positive emerging trends in the global packaging machinery market (e.g., an increase in pharmaceutical products consumption, product safety and factory automation), while at the same time reducing new product launches of certain fast moving consumer goods categories. It is also expected that health and well-being, product safety concerns and factory automation, as long term drivers of the underlying consumer and pharmaceutical end-markets, will become increasingly relevant following the Covid-19 Pandemic, while the trends relating to demographics and an aging society, sustainable/ethical consumerism, as long-term secular growth trends, will be unaffected by the Covid-19 Pandemic. However, due to the uncertainty generated by the Covid-19 Pandemic across the economic landscape, the relevance of two prominent long term drivers of the global packaging machinery market, namely the convenience and “on the go” lifestyle, as well as the consumer good trends towards increased consumption, may not be accurately evaluated.

Regardless of the Covid-19 Pandemic, we believe that the following are noticeable market trends driving demand for new machinery or retro-fitting of old machinery: (i) demand for diverse packaging formats related to product variations (i.e., customizable products, standard versus premium options, etc.); (ii) sustainability driving changes in packaging materials and formats; (iii) packaging changes related to easy open, child resistant and similar products, (iv) increased labelling and traceability regulation; (v) more independent brands; and (vi) differentiated / premium packaging needed to stand out and “refresh” established brands.

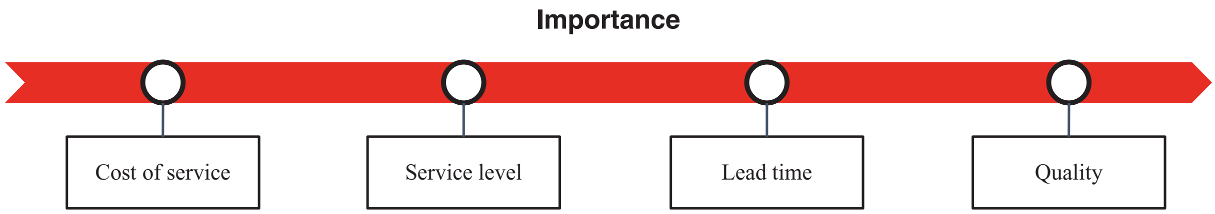
After-Sales

Market trends

The after-sales market for packaging machinery is characterized by recurring revenue streams, whose development are driven by five main components: (i) increasing the active installed machine base; (ii) increasing and maintaining market share for parts, which is dependent on providing service response times that are quick enough to prevent customers seeking third party alternatives; (iii) selling additional services related to machinery (e.g., digital services and automation); (iv) finding new areas of growth; and (v) adapting to regulatory changes, in particular in the pharmaceutical segment, which often requires upgrades to components on machinery.

Customers key purchasing criteria

We have identified the following four key purchasing criteria in order of importance.

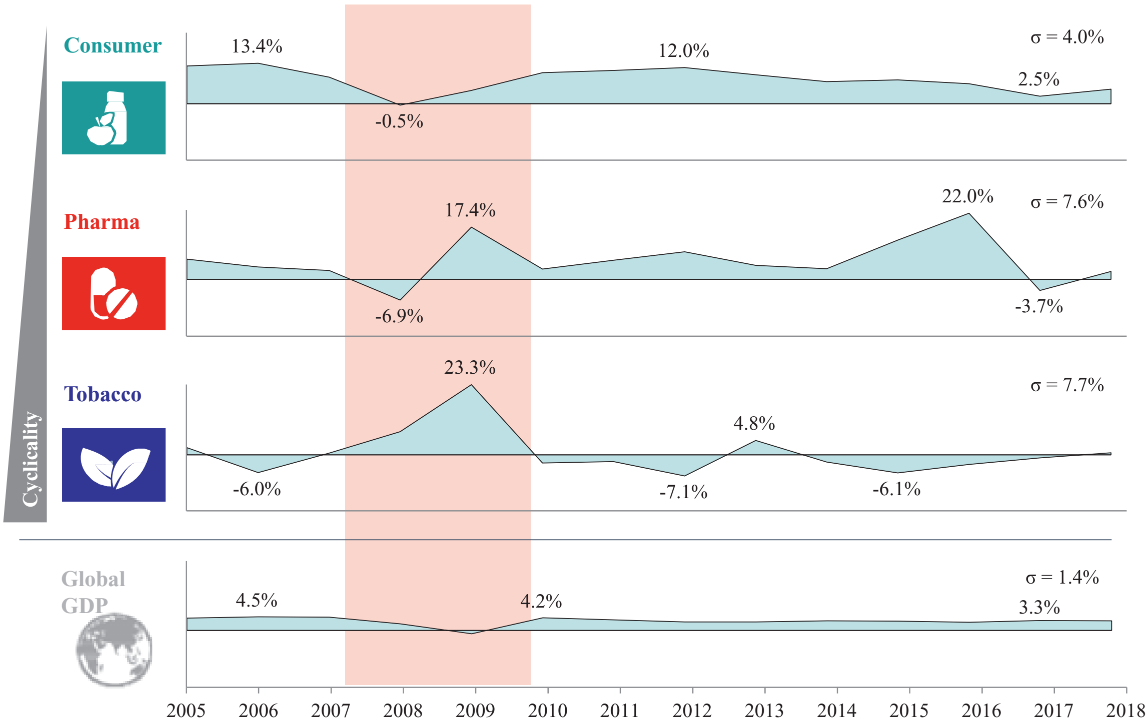


1. *Quality.* Quality of after-sales parts are perceived as the most valuable assets for customer retention. Quality also represents a key barrier for low-cost providers, due to the high tech components and necessity to comply with safety standards.
2. *Lead time*. The second factor in order of importance is short lead times for replacement parts, as speed is essential to reduce downtime and avoid interruptions in the production. When the original supplier is unable to deliver spare parts quickly enough, customers turn to third party suppliers. This is the factor that manufacturers can readily influence.
3. *Service level.* Technical support, response and total resolution time are also important factors considered by customers in making their purchase decisions.
4. *Cost of service*. As with machine sales, all the costs associated with services rendered to the customer tend to be a secondary criteria overshadowed by the quality of the machinery and related services (including after-sales parts).

Our Addressable Markets

We serve three key end-markets: (i) the pharmaceutical packaging machinery market; (ii) select niches of the consumer packaging machinery market (tea, food & other); and (iii) the tobacco packaging machinery market. Our revenues are based on the amount of capital expenditure made by our customers to acquire new machinery or to replace old ones. The following chart, which includes the annual amount of capital expenditures ("**CAPEX**") of each segment, as well as global GDP changes for context, demonstrates the resiliency of the end markets we operate in.

Yearly change in CAPEX (%)



Source: Aggregated market information available to the Company
Note: The "σ" above shows standard deviation of yearly changes in CAPEX. The higher the value, the larger the variation from the mean.

1) Consumer includes CAPEX for Food & Beverage. 2) Analysis includes combustible and non-combustible tobacco.

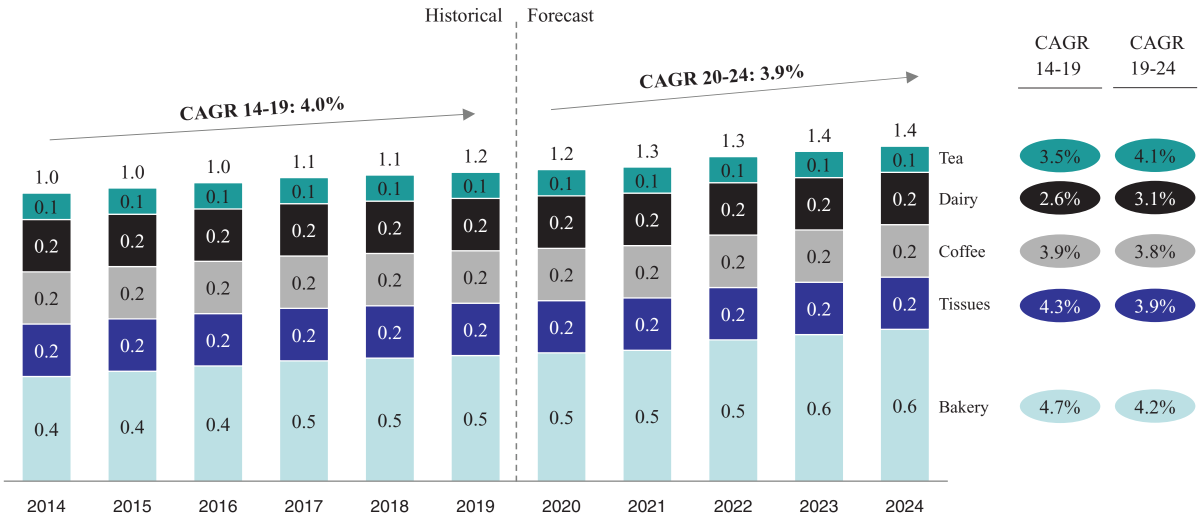
As shown in the chart, our customers' prior capital expenditure levels returned quickly after the global financial crisis, and have remained at relatively stable levels thereafter. With regard to the pharmaceutical market, the spike in 2016 was due to an increase in planned investments from European pharmaceutical companies.

Tea, Food & Other

Growth

The tea, food & other packaging machinery market equaled approximately €1.2 billion in revenue in 2019, and is expected to grow with a CAGR of approximately 3.9% between 2020 and 2024, excluding after sales. Furthermore, growth in the dairy and tea market is expected to increase slightly due to an acceleration in growth of underlying volumes.

Core consumer OE market development by end-market revenue, 2014-2024 (EURbn)



Sources: Aggregated market information available to the Company.

Market drivers

A description of the main market drivers for the tea, food & other packaging machinery market is set forth below from the strongest to the weakest in terms of their indicative impact on market growth.

1. *Production volumes*. Higher packaging variety drives the demand for more flexible packaging machinery, while accelerating demand for packaging food drives production volumes globally, especially in emerging markets.
2. *Machinery complexity.* Flexible packaging requirements drive machine complexity and expertise and increasing hygienic requirements drive demand for compliant packaging machinery. In addition, environment-friendly materials alter the requirements on packaging machinery, whereas automation increases complexity of machinery through software, sensors etc.
3. *Machinery price*. The price pressure in the packaging equipment industry is partially mitigated by technologically more advanced machinery as well as environmental and hygienic requirements. However, prices remain under pressure due to quickly improving product offerings from mid-end providers and an increasing number of competitors from low-cost countries (e.g., China) entering the market.
4. *Machine productivity.* A decrease of machine productivity is expected as packaging variety increases setup costs. Automation once again plays a key role, as it can improve overall equipment efficiency through reduced downtime (e.g., with remote service), higher throughput and reduced manual labor.
5. *Scrap rate*: While more flexible packaging machinery is needed to set up production lines more efficiently, higher importance of suitable packaging solutions drives demand for new machinery.

Trends

The tea, food & other original equipment market trends are strictly correlated to its drivers. For instance, higher packaging variety and the increasing importance of packaged food positively affects market drivers for packaging machinery equipment.

In particular, higher packaging variety results into product differentiation via packaging style or material, which in turn increases demand for premium packaging and premium appearance (not only for premium products). Additionally, there is a growing demand for meal replacements while snacking drives the consumption of bite-sized/portion packs. Finally, the accelerating e-commerce industry is increasing demand for individualized sized packaging in small quantities / sizes.

Demand for packaged food, whether driven by convenience or food safety (e.g., hygiene and allergy safety), in turn, drives production volumes globally, especially in emerging markets, while also increasing the importance of product transparency on packaging (as evidenced by the "farm-to-fork" trend). Moreover, increasing hygiene requirements and longer shelf life fuel additional packaging demand.

Sustainability and digitalization also positively affect the demand for packaging machinery for food, dairy and household products alike.

Specifically, there is an increasing demand for sustainable packaging and reduction of packaging waste, especially plastics and aluminum. Notably, sustainable packaging material most often requires new technologies in key process steps, such as the gluing and sealing process and also requires adjustments to packaging equipment to work with different materials (e.g. recyclable, compostable, etc.), driving the demand for new machinery.

Increased automation and digitalization is also affecting the consumer market and its drivers, as an expected rapid adoption of sensors and software within packaging machinery equipment increases the ability to provide automation solutions in consumer products, thus enabling improvement of overall equipment effectiveness and productivity.

Key customers

There are three major segments of customers which are distinguished based on their business model.

Global generalists

These are usually large multi-national companies manufacturing blockbuster products as their core business and often have a tendency towards a more centralized strategy for standardized components and having key accounts with constantly high order volume and framework contracts.

Three trends characterize this customer segment: (i) increasing openness to reduce in-house engineering competencies resulting in reliance on their providers; (ii) operations are in mature markets resulting in standardization and optimization of process flow and the total cost of ownership; and (iii) increased presence in emerging markets giving rise to the opening of new facilities with a tendency towards turnkey-solutions.

Regional specialists

Usually companies with a regional footprint and which typically have customized systems tailored to their process flow and that utilize internal engineering capacity for machine integration and setup.

Three trends characterize this customer segment: (i) increasing willingness to pay a price premium for customized, highly reliable machinery; (ii) higher need for individual bespoke line solutions; and (iii) an increasing need for automation in large scale productions.

Local specialist

Usually local companies with focused application domain and regional coverage. Typically manual labor holds a higher share of their process flow and they have a focus on cost efficient production and high overall equipment effectiveness.

Two trends characterize this customer segment: (i) dependence on a specific application domain which often requires no-frills machinery; and (ii) a tendency to source services and spare parts from third parties to reduce downtime and costs.

Barriers to entry

The tea, food & other packaging machinery market is characterized by three main barriers to entry, with personal relationships and trust having the most relevance. In particular, personal contact and trust between suppliers and end-market customers allows for a long-term relationship often resulting in discounts for services and spare parts on the one hand and continued use of the supplier on the other.

Furthermore, the equipment lifecycle is a moderately relevant barrier to entry. High initial investments and continuous maintenance and modernization result in prolonged depreciation periods over 15 years. Therefore, switching suppliers rarely occurs during the running lifecycle of a machine, however receiving new requests for proposals near the end of the lifecycle of the equipment is standard procedure.

Lastly, service coverage is a further moderate barrier to entry. In general terms, geographic coverage for support and service is important for global customers who also value efficiency through repetitive installation of equipment and similarly trained staff.

Competitive landscape

The packaging equipment in the tea, food & other original equipment market is composed by major competitors comprising a few large equipment groups. Our main competitors offer a varied product and service offering, and range between a high and medium price point. It is important to note that the market is broadly fragmented, and competitors often only compete in certain sub-markets. The key competitors, including their primary markets are, listed by revenue, Tetra Laval (focused on dairy, non-alcoholic beverages and personal care), Krones (focused on alcoholic and non-alcoholic beverages and cosmetics), Syntegon (has a comprehensive offering), Ishida (focused on snacks), and Fuji Packaging (focused on snacks, beef, fruits and vegetables).

Despite being a highly fragmented market, there are only a few large scale players who offer a broad product portfolio at high price points given the majority of players are more specialized. Only a selection of intermediate players offers product portfolios comprising two or three product classes for medium and high price points, whereas certain specialized players have a main focus on one product class at price levels ranging from medium to high.

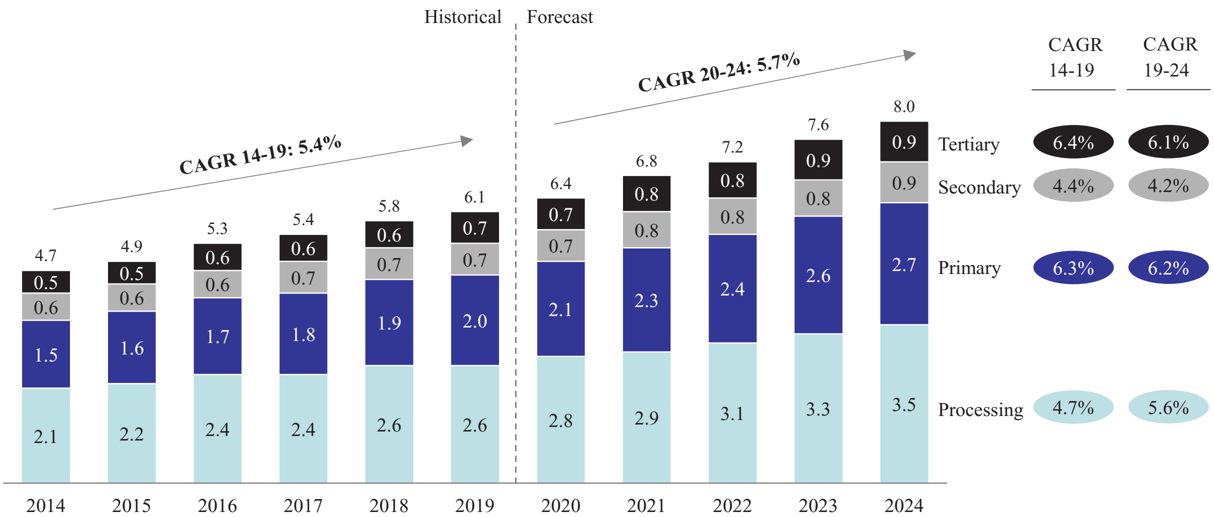
Pharmaceutical

Growth

The pharmaceutical packaging machinery market is expected to have a CAGR of 5.7% per annum from 2020 to 2024 to a total market value of €8.0 billion in revenue, excluding after sales. Future growth rates of the pharmaceutical packaging machinery market are broadly in line with historical growth, reflecting continued underlying production growth and favorable market trends.

Growth of liquids and isolator/containment units is resulting in an increase in the complexity of processing and primary packaging technology, which is able to drive a strong CAGR of approximately 6.0% per annum from 2019 to 2024. The highest growth is nevertheless expected in the tertiary packaging at an approximately 6.0% CAGR per annum from 2019 to 2024 as a result of the increasing importance of serialization and traceability, whereas the secondary packaging remains highly commoditized with high price pressure with a CAGR at approximately 5.0%.

Machinery market development by product segment revenue, 2014-2024 (EURbn)



Source: Aggregated market information available to the Company

Market drivers

A description of the main market drivers for the pharmaceutical packaging machinery market is set forth below from the strongest to the weakest in terms of their indicative impact on market growth.

1. *Production volumes*. Personalized medicine (involving smaller batches) is expected to drive a demand for more flexible packaging machinery, in addition as more generic companies push into the market driving significantly increased total production volumes. Furthermore, the rising demand for packaged pharmaceutical products with higher sanitization standards in emerging markets can be observed and is expected to further drive production volumes and the need for expanded production capacity.
2. *Machine complexity.* The introduction of more strict regulations is closely correlated to the increase in the quality and traceability requirements on equipment and packaging. In addition, the rise of highly potent or controlled drug types drive more complex processes and packaging equipment while simultaneously the increase in automation increases the complexity of the machinery themselves through additional software and sensors. Finally, environment-friendly materials alter the requirements on packaging machinery and such changes can require modifications to previously installed machinery.
3. *Machine productivity.* Smaller batch sizes imply lower throughput which implies a higher demand for machinery. However, automation can improve overall equipment efficiency through reduced downtime (e.g., with remote service), higher throughput and reduced manual labor. Furthermore, high productivity by companies offering generics may adversely affect machine demand, this increases industry productivity but may have a negative impact on new machinery demand.
4. *Machine price*. The main costs associated to this driver are: (i) engineering costs for adequate packaging machinery due to an increase in regulations and more complex drug types; (ii) price pressures on equipment providers due to the growth of generics companies and contract manufacturing organizations; and (iii) the expected overall increase in machine prices due to the rising share of sensors and software within machinery.
5. *Scrap rate*: Regulatory requirements such as traceability require the purchase of new packaging machinery while new drug types call for new packaging machinery as processes become more complex.

Trends

Growth in the pharmaceutical packaging machinery market is expected to accelerate mainly due to higher underlying volume growth from generics, since the volume share of generics is expected to increase due to continued patent expirations and this is expected to have a negative impact on machinery market growth. Furthermore, regulations and data integrity will play a pivotal role as an underlying production volume trend in the foreseeable future, as traceability and serialization requirements will continue to increase in upcoming years, however, the impact on machinery has already been largely incorporated. On the same terms, highly potent/complex drugs will underpin the impact of biologics on the packaging machinery market which is expected to be similar to the past five years. Personalized medicine constitutes another notable trend in underlying production volume, because orphan drugs volume share growth is expected to decelerate over the coming years, with small batch medication growth acceleration. The last two main trends in underlying production volume are product consolidation which is expected to accelerate over the coming years as a result of the consolidation of contract manufacturing organizations, this is expected to have a negative impact on machinery market growth and, finally, automation and digitalization of lines is expected to accelerate compared to the past five years.

Key customers

There are three major segments of customers which are distinguished based on their business model.

Large pharmaceutical companies

These are entities which usually are comprised of a combination of originator and (branded) generic business with a global presence with high budgets for development of drugs and ultimately therefore require some small scale production for the preclinical phase. Notably, the top 20 pharmaceutical companies account for approximately 80% of the pharmaceutical product revenue.

Three trends characterize this customer segment: (i) decreasing large scale production due to lack of new blockbuster products, which increases the trend towards outsourcing to contract manufacturing organizations; (ii) increasing demand for small batch production due to personalized medicine; and (iii) need for standardization and modularization to allow transfer of entire product lines.

Generic specialists

Usually a generic subsidiary of a large pharmaceutical company having requirements for major investments for large scale production especially for liquid production lines but low research and development budgets and lack of product differentiation due to identical formulation.

Three trends characterize this customer segment: (i) expiring patents will push the demand for large batch sizes; (ii) shift of production to low-cost countries (e.g., India, China) to achieve cost efficiencies; and (iii) build-up of in house capabilities to further drive down service cost.

Contract manufacturing organizations

A contract manufacturing organization usually works as a contract manufacturer with the primary business model of “selling over-capacities”, whose services can include formulation, development, pre-clinical and clinical trials, scale-up and commercial production.

Three trends characterize this customer segment: (i) increasing consolidation and M&A activity with a trend for horizontal growth; (ii) tendency towards centralized equipment and service procurement; and (iii) increasing focus on process efficiency and automation.

Barriers to entry

The pharmaceutical packaging machinery market is characterized by three main barriers to entry, with the reputation and quality of the supplier having the most relevance. In particular, this market is heavily regulated, a circumstance that consequently leads to high quality, strong technological requirements and a focus on the reliability of services, all features heavily appreciated by the customers who therefore tend to be locked-in to a supplier.

Furthermore, a high level of process integration requires dedicated production lines to avoid cross-contamination. It is common in the pharmaceutical packaging machinery market to have a high level of integration into existing production processes (especially for liquid pharmaceuticals) and a change of supplier is only feasible near the end of the lifecycle of the entire production line.

The least relevant barrier to entry is the established service relationships. In general terms, only a broad service network is able to respond quickly and appropriately to machine failures and it relies upon efficiency through repeatability of equipment installation and staff training.

Competitive landscape

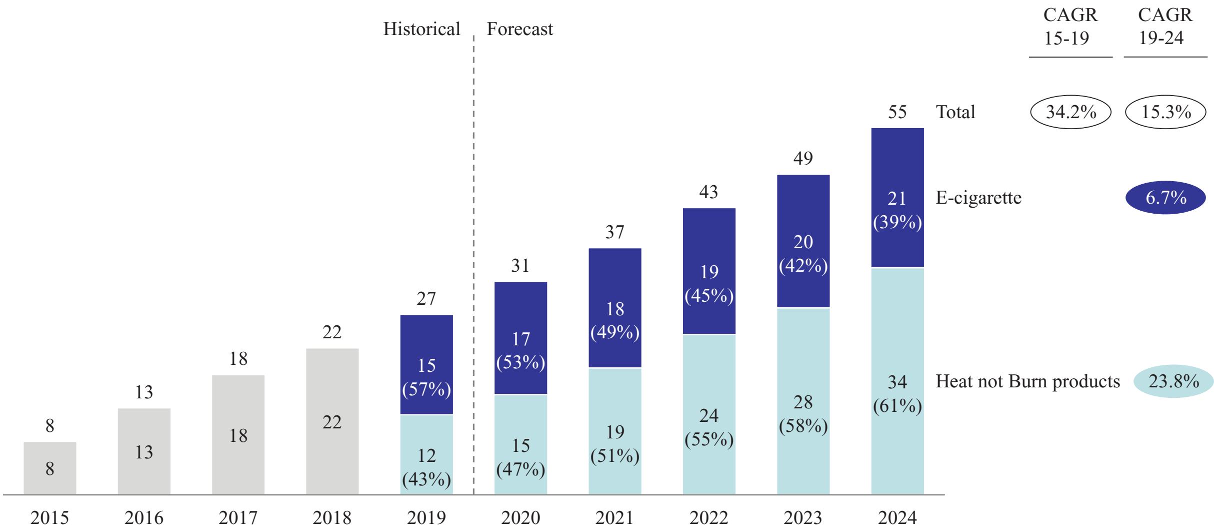
The pharmaceutical packaging machinery market is fragmented and only a select group of companies offer broad product portfolios across liquid and solid pack pharmaceuticals, among others. Despite being a highly fragmented market, there are only a few market players with a broad portfolio of pharmaceutical products at different price points, these are Syntegon and Romaco. Only a selection of intermediate players offers selected product classes at different price levels, ranging from high to low, such as GEO, Korber Medipak, Marchesini Group, Optima, ACG. Whereas certain specialized players are experts in one particular product segment, serving mostly the high and medium price point segments, such as Uhlmann Group, HH, Glatt, Fette Compacting, Bausch and Strobel, Bohle, and Groninger.

Tobacco

Growth

The tobacco packaging machinery market is expected to grow, particularly in the “heat not burned” segment, whose products are expected to have a CAGR of approximately 24.0% between 2019 and 2024. Furthermore, the “heat not burned” segment is expected to outpace e-cigarettes growth due to similarities to traditional tobacco with reduced risk profile and recently increased marketing by tobacco companies, whereas e-cigarette growth is running in to increasing pressure from regulatory bodies in a number of countries.

Global Next Generation Products market by product segment revenue, 2015-2024 (USDbn)



Source: Aggregated market information available to the Company

Market drivers

There has been a continuous de-standardization of traditional cigarette consumption as a result of (i) restrictive measures and, in some regions, the probability of further restrictions (widening bans), (ii) a steady increase in taxation increasing the cost of traditional cigarette consumption, (iii) reduced dissemination and advertising of tobacco among young people, thereby reducing new consumers of cigarettes, and (iv) a trend in some key markets for replacement products that, in some cases, are regarded as less risky for health. Furthermore, the tobacco market is characterized by increasing product innovation in both traditional cigarettes and other products, including e-cigarettes and “heat not burned” products. The reduction in consumers, or limiting of new consumers, in the tobacco market has direct negative impacts on the tobacco packaging machinery market, however, this is somewhat offset by the introduction of new products which require additional or retrofitted packaging machinery.

Trends

While consumers are increasingly shifting towards next generation products, stricter regulations create headwinds for the manufacturers. In particular, there is a growing demand for e-cigarettes as an alternative combustible tobacco products whose devices and consumables with novel packaging requirements are driving a demand for new packaging equipment. Nevertheless, the demand for “heat not burned” products is also growing rapidly fueled by the marketing shift by many of the traditional tobacco players. In general terms, “heat not burned” products still have similar packaging requirements to cigarettes, with a certain retrofitting required. In addition, the regulatory uncertainty and future interest in tobacco products makes them less certain than other markets, which results in less certainty as to their potential demand for packaging equipment.

Key customers

There are two major segments of customers which are distinguished based on their business model.

Global tobacco players

Global tobacco players, previously dominating the combustible market with global production and distribution footprint, are now shifting towards next generation tobacco products as their main growth driver (e.g., by manufacturing next generation product devices as well as consumables).

Three trends characterize this customer segment: (i) a global production footprint and planning of operations based on local demand requirements; (ii) retrofitting of existing machinery capacities (used for combustibles) to address demand for "heat not burned" products; and (iii) large investments in new generation products capacities and acquisition of brands.

Start-ups / specialized players

Specialized players developing novel new generation products devices, consumables or liquids with a focus on product innovation to differentiate from global tobacco players while retaining a broad range of e-liquid brands for open device systems.

Two trends characterize this customer segment: (i) fragmentation and volatility due to a lack of dominant device design with low entry barriers for e-liquid producers; and (ii) a trial-and-error phase of many players requiring high levels of equipment flexibility.

Barriers to entry

The tobacco segment is characterized by two main barriers to entry which are technical know-how and retrofitting. Switching barriers appear to be high, strongly influenced by high requirements on supplier quality and high levels of process integration.

In particular, technical know-how allows suppliers to tailor equipment to the exact technical specification of large tobacco customers. Furthermore, large tobacco players tend to follow a replacement/retrofitting strategy for their "hot not burned" products, which consequently generates stickiness to existing suppliers for their existing production line.

Competitive landscape

Four main players dominate the supply of the tobacco packaging machinery end-market: (i) G.D S.p.A.; (ii) the Company; (iii) Focke & Co. (GmbH & Co. KG), and (iv) Hauni Maschinenbau GmbH, by providing the majority of packaging machinery for combustible and "heat not burned" tobacco products. Furthermore, multiple additional competitors cover selected process steps such as overwrapping or stamping, which include Bobst Group SA, Pattyn Packing Lines NV, Marden Edwards Ltd, and Sollas Holland B.V.

Automation

Although automation is applied in a wide variety of industries using various materials, it is particularly helpful in production lines for specialized plastic products. Among the production lines to which automation is applied are lines for customized bottle caps, syringes, contact lenses and inhalers.

Increasing product complexity and variety, as well as regulatory requirements drive the demand for more complex machinery, and further automation across each of our end-markets, as a result we expect this aspect of the broader packaging machinery industry to grow rapidly as customers begin demanding more integrated solutions, forcing players in the industry to start investing in solutions for automating their machinery.

In particular, new product development is heading towards a higher and more complex standard for components, which are increasingly miniaturized and requiring high-precision injection-molding equipment whose demand is, and will continue to be, rising.

For instance, the global volume of inhalers is expected to continue broadly in line with the historical trend, growing at approximately a CAGR of 5.4% per annum from 2019 to 2024, due to two main factors driving the end-market demand: (i) increasing number of diagnosed chronic respiratory patients; and (ii) the growing inhaler penetration in developing markets.

In addition, contact lens manufacturers are aiming to increasingly customize lenses to meet specific customer needs, as a result, the number of stock keeping units is experiencing a fast growth and will continue to drive demand for flexible machinery with fast changeovers. Contact lens volumes are expected to grow at approximately a CAGR of 4.9% driven by a continued shift to daily disposable lenses. In particular, the demand for vision correcting has been growing across the world due to an aging population and worsening vision due to increasing screen time while conditions like astigmatism and presbyopia will continue to be fundamental driver in this market, as a result, daily disposable lenses have been gaining popularity, due to a higher level of comfort and convenience, boosting overall contact lens volumes.

Finally, the safety of devices, particularly injectables, relies on components being of the correct dimension. Moreover, the European Medicines Agency and the United States Food and Drug Administration's approval for devices typically requires small tolerances, so equipment must be precise, accurate and reliable. The volume of pens and auto-injectors is expected to grow at a CAGR of approximately 6.9%, driven by the prevalence of diseases such as diabetes, RA, multiple sclerosis and other chronic diseases, as well as penetration of pen devices in various markets. In particular, insulin pens account for approximately 80% of the total volume and are used for insulin delivery to treat diabetes, whose prevalence is constantly on the rise driven by growth of obesity, whereas penetration of pens and auto-injectors will continue to increase in the following years driven by ease-of-use and flexibility.

BUSINESS

The Issuer is a holding company formed for the purpose of facilitating the Transactions and is not expected to engage in any activities other than those related to its formation and the Transactions. The Issuer's only material assets and liabilities are currently, and are expected in the future to be, its interest in the issued and outstanding shares of its subsidiaries and its outstanding indebtedness and inter-company balances incurred in connection with the Transactions (including approximately 66.82% ownership of Outstanding Company Shares) and the other transactions described in this Offering Memorandum. Accordingly, the description of business operations below relates to the Group.

We do not present in this Offering Memorandum any financial information or financial statements of the Issuer, which was established on September 16, 2020, other than the Issuer Financial Statements.

Therefore, the following is a description of the business of the Company. Unless indicated otherwise, when we refer to "we", "us", "our" or the "Group" for the purposes of this section, we are referring to the business of the Company and its subsidiaries and not the Issuer.

Overview

We are a global leader in the design and assembly of complex automated machinery for the product filling and primary packaging of pharmaceuticals, cosmetics, tea, coffee, certain other food products and tobacco. In addition to the design and assembly of machinery, we also provide After-Sales products and services throughout the lifecycle of the machinery that we sell. We attribute our success, in part, to our unique asset-light business model, which relies on our strong core labor-intensive capabilities in research, design, development, engineering and testing, while outsourcing lower value-added aspects of the assembly process to a group of select local suppliers. We have made significant investments in research and development to enable us to remain at the forefront of machine customization and product innovation. At the same time, we have fostered a diverse network of local suppliers, many of whom we own minority stakes in, and have tightly integrated these suppliers with our operations, thereby enabling us to maintain low capital expenditure levels and a highly variable cost base.

Founded in 1961 and headquartered in Bologna, Italy, an area known for the presence of well-established manufacturing companies and a talented engineering labor force, we have 45 manufacturing facilities and approximately 6,000 employees, out of whom approximately 70.0% are engineers and highly specialized technicians, in nine countries, including Italy, the United States, China, Argentina, Germany and Switzerland. We sell our products worldwide to a loyal blue-chip customer base, both directly through our on-the-ground salesforce and, in selected markets, third party agents. We have historically been able to build long-lasting customer relationships by creating highly customized and specialized products with shorter lead times due to our flexible supply chain. Our loyal blue-chip customer base allows us to achieve stable and highly visible revenue, and we generated the majority of our revenue in the last five fiscal years from our existing customers, mainly through new machine orders and After-Sales products and services.

For the twelve months ended September 30, 2020, we generated revenue from contracts with customers of €1.6 billion, EBITDA of €291.8 million (representing an EBITDA Margin of 18.2%) and net profit of €119.3 million, and in 2019, we generated revenue from contracts with customers of €1.6 billion, EBITDA of €273.4 million (representing an EBITDA Margin of 17.1%) and net profit of €169.6 million. We also have a strong pipeline of ongoing projects, with a Backlog as of September 30, 2020 of €919.4 million.

Within the global packaging machinery industry, we primarily serve the consumer (including food and beverage), pharmaceutical and tobacco packaging machinery reference markets. We generally operate in niches within these reference markets that we believe are highly resilient and fast growing, and we maintain a leadership position in many of them. Our three business segments (i) Tea, Food, & Other, (ii) Pharmaceutical, and (iii) Tobacco, are geared towards competing in these niches.

Tea, Food, & Other. We design, develop, assemble, and install machinery for the packaging and/or assembling of tea bags, coffee capsules, dairy and other food and beverage products, tissues, cosmetics and other personal care products and design and produce fully automated production lines for medical devices among other end markets. Our Tea, Food, & Other segment generated €782.3 million, or 48.8%, of our total revenue for the twelve months ended September 30, 2020.

Pharmaceutical. We design, develop, assemble, and install machinery for the packaging of pharmaceutical capsules and tablets in blisters and bottles, filling bottles and vials with liquid and powdered products in sterile and non-sterile environments, freeze-drying, tube-filling and cartoning systems for the production of tablets and capsules, and for coating and granulation of pharmaceuticals. Our Pharmaceutical segment generated €722.5 million, or 45.1%, of our total revenue for the twelve months ended September 30, 2020.

Tobacco. We design, develop, assemble, and install machinery for packaging, filling and capping tobacco-related products, with a specific focus on “Heat not Burn” tobacco products, electronic cigarettes and other related products. Our Tobacco segment generated €98.2 million, or 6.1%, of our total revenue for the twelve months ended September 30, 2020.

We offer both Original Equipment and After-Sales products and services within each of our three segments.

The table below sets forth breakdowns of our total revenue from contracts with customers by segment and geographical area for the twelve months ended September 30, 2020 and our Backlog as of September 30, 2020. Our Backlog consists of the contracted future revenue relating to all signed orders for which customers. Our customers pay up to 30.0% of the total invoice in the early stages of the relationship by paying the first tranche of the agreed price.

Revenue by geographical area	**For the twelve months ended September 30, 2020**
	(€ millions)
European Union (excluding Italy)	465.3
Other European countries	137.7
North America	290.7
Asia & Middle East	324.0
Other countries	156.3
Total Exports	**1,374.0**
Italy	229.0
Total	**1,603.0**

Revenue by segment	**For the twelve months ended September 30, 2020**
	(€ millions)
Tea, Food, & Other	782.3
Pharmaceutical	722.5
Tobacco Packaging	98.2
Total	**1,603.0**

Backlog by segment	**As of September 30, 2020**
	(€ millions)
Tea, Food, & Other	318.2
Pharmaceutical;	562.2
Tobacco Packaging	39.0
Total	**919.4**

Our Strengths

We believe there are a number of key factors that drive our success, including (i) our presence in attractive non-cyclical end markets supported by long-term secular growth trends; (ii) our global market leadership across attractive niches within those end markets with high barriers to entry; (iii) the high visibility and resilience of our revenue based on After-Sales products and services as well as recurring customer base and growing Backlog; (iv) our highly attractive financial profile with best-in class margin profile and asset-light business model; and (v) our experienced management team with extensive industry experience and strong shareholder support.

Attractive non-cyclical end markets supported by long-term secular growth trends

The reference markets that we primarily serve have long-term secular macro trends supporting future growth, which include: (i) changing demographics and an aging society; (ii) increasing medical spending and attention to healthcare and well-being; (iii) moving towards sustainable and ethical consumption practices; (iv) increasing emphasis on convenience and on-the-go lifestyles; (v) fast changing consumer goods trends which necessitate changes in equipment; (vi) increasing product safety concerns; (vii) growing demand for factory automation and digitally-enabled Industry 4.0; (viii) increasing packaging complexity and demand for innovative packaging; (ix) increasing focus on sustainable and environmentally friendly packaging solutions; (x) increasing regulatory requirements; and (xi) increasing focus on labor costs and declining in-house engineering capabilities at manufacturers.

These trends have led to the niches in which we operate in our two largest reference markets, the consumer (including food and beverage) and pharmaceuticals packaging machinery markets, to grow, in terms of revenue, at a compound annual growth rate of 4.0% and 5.4% respectively, from 2014 to 2019. During the same period, our revenue from our corresponding Tea, Coffee, & Other and Pharmaceutical business segments has grown at a compound annual growth rate of 8.0% and 7.7%, respectively. The niches in which we operate within the consumer and pharmaceuticals packaging machinery markets are projected to continue to grow, in terms of revenue, at a compound annual growth rate of 3.9% and 5.7%, respectively, between 2020 and 2024, in line with recent trends. In addition, revenue from the next-generation products niche in the tobacco packaging machinery market is forecasted to grow at a compound annual growth rate of 15.3% from 2019 to 2024.

The resiliency of our reference markets has been demonstrated by the historical evolution of capital expenditures between 2001 and 2018 in the respective end markets despite past economic downturns. Capital expenditures in the pharmaceutical end market have steadily increased since 2001, rising from less than €100 billion globally in 2001 to over €200 billion in 2019. During the financial crisis of 2008, capital expenditures in the pharmaceutical end market declined by approximately 7.0%, and then, in 2009, quickly bounced back with growth of 17.0% globally. Capital expenditures in the consumer end market have been even more resilient, steadily increasing since 2001 from about €150 billion globally in 2001 to more than €500 billion in 2019. During the aforementioned financial crisis, capital expenditures in the consumer end market declined by only approximately 1.0% before returning to 4.0% growth in 2009.

This resilient growth is driven, in part, by the fact that packaging machinery plays a key role in both driving customers' revenue growth and keeping their costs down. This is illustrated by a recent survey indicating that customers are usually driven by one or more of a limited number of considerations: 48.0% of customers seek to replace equipment and increase productivity, 43.0% seek to increase capacity, 34.0% seek to use the machinery for new product introductions and 28.0% seek to introduce new package formats. In addition, since most customers operate their machinery around the clock, minimizing downtimes is critical to their business as evidenced by a recent market survey, according to which, quality and reliability are the most important purchasing criteria for customers of packaging machinery. The ability to drive revenue growth, keep costs down and the overriding need for quality and reliability, support the view that packaging machinery and the related After-Sales products and services are non-discretionary expenditures for customers and lead to demand resiliency for such products and services in any market cycle.

While it is difficult to predict the consequences of the ongoing Covid-19 pandemic, we believe that it may accelerate many of the trends that have historically benefitted our business segments and driven sales of our products and services. In particular, we expect to benefit from (i) a higher focus on health care and well-being due to increased consumption of pharmaceuticals, which in turn increases demand for products, (ii) the acceleration of the trend related to product safety concerns due to further increases in private and governmental interest in labelling and traceability of products and (iii) the acceleration of the trend related to factory automation in order to reduce personnel costs and human interaction which can contribute to the spread of disease, including Covid-19.

We believe that our presence in non-cyclical end markets with long-term secular growth trends can help us enjoy continued consistent growth in revenue and profits.

Global market leadership across attractive niche markets with high barriers to entry

We are an established market leader across many niches that are highly resilient. Although the overall global packaging machinery industry is highly fragmented, with over 1,000 participants, we claim market leadership in multiple niches in each of our reference markets. Within the pharmaceuticals packaging machinery market, we are a leader in seven niches (blister, capsule filling, tableting, coating, filling, counters and freeze dryers), while our closest competitor is a leader in only three niches. Similarly, in the consumer packaging machinery market, we are the market leader and we estimate our market share to be approximately 76.0%, 40.0% and 15.0% by revenue for the period ended December 31, 2019, in the tea, dairy and coffee capsule niches, respectively. In the tobacco packaging machinery market, we are the leader in the "heat not burn" niche, which relates to electronic devices that contain tobacco leaves rather than liquids. Furthermore, across all niches that we cover, we have a strong market leadership and know-how in designing, assembling and testing highly automated machines (*e.g.* medical devices, vision care, caps & closures, e-motors, e-cigarette, watch making, electro-mechanic, printing and industrial).

Our key reference markets, tea, food and other and pharmaceutical packaging machinery markets, are characterized by three main barriers to entry—reputation and quality, technological capabilities and service as illustrated in the chart below.

Barrier	Pharma	Tea, Food & Other	IMA's positioning
Reputation and quality	• Regulation driving requirements and making quality and reputation key selection criteria	• Hygiene and safety requirements coupled with reliability to avoid process downtime	#1 • #1 machinery supplier for products' quality and reliability[1]
Technological capabilities	• Turnkey solutions for entire lines and increasing focus on modularization	• Integrated systems requiring know-how of the entire production line	• Total owner of a company's machinery solution
Service	• Service network able to respond in a timely manner in highly regulated environments	• Decreasing customer in-house capabilities demanding close service relationships	• Predictive maintenance, broad geographic coverage

Within these reference markets and the niches in which we compete, we differentiate ourselves from our competitors primarily through (i) the scale and breadth of our product and service offerings, (ii) our large, high-quality, and loyal existing customer base, which includes leading pharmaceutical and consumer products companies, (iii) our wide geographic coverage, (iv) our long history and experience in the business, (v) our best-in-class technology, and (vi) our unique, flexible supply chain that drives superior delivery times. We maintain our technological excellence by investing in research and development. We've invested over €80.0 million per year on research and development from 2017 to 2019. Our R&D team, has a long track record for innovation and has developed over 1,700 patents. This engineering excellence also enables us to deliver highly-customized products which can command higher profit margins. We have also fostered a diverse and collaborative network of suppliers, many of whom we own minority stakes in. The tight integration of these suppliers with our operations has enabled us to centralize procurement and enterprise resource planning systems, and provides us with higher operational flexibility, lower delivery time, and a more variable cost base, each of which is a significant competitive advantage.

High visibility and resilience of our revenue based on After-Sales products and services as well as recurring customer base and growing Backlog

We enjoy high visibility and resiliency of our revenue from both our After-Sales products and service offerings as well as from Original Equipment sales.

Our After-Sales business is characterized by recurring and stable revenue, and higher margins. It has historically grown in line with our installed base of original equipment, which presents us with regular opportunities to supply our customers with replacement parts and services. From 2016 to 2019, our After-Sales business has consistently represented between 27.0% and 31.0% of our revenue, growing in line with our expanding installed base of machinery. Furthermore, thanks to its higher profitability, compared to our Original Equipment business, the After-Sales business has represented, on average, 43.0% of the total gross profit over the same period. The resilience in the After-Sales business is due to the overriding need of customers to avoid downtime, leading to predictable expenditure on spare parts and maintenance (including predictive maintenance) and our ability to deliver After-Sales services remotely. We believe this was evident in the quarter ended March 31, 2020, where revenue from the After-Sales business were seemingly unaffected by the Covid-19 pandemic, and represented 34.0% of our revenue.

We also have high visibility of revenue from our Original Equipment business due to our fast-growing Backlog and repeat business from our loyal, diverse and highly-recurring blue-chip customers.

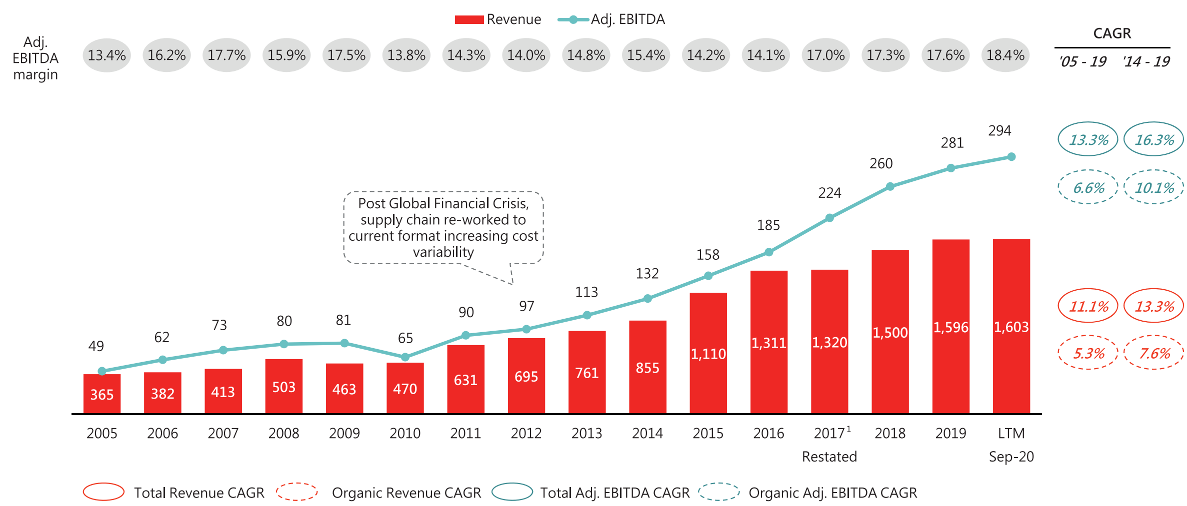
Our Backlog has grown from December 31, 2015 to September 30, 2020 at a compound annual growth rate of 7.6%, with our Backlog as of December 31, 2015, 2016, 2017, 2018, and 2019 equaling

€649.9 million, €766.2 million, €806.8 million, €941.5 million, and €909.0 million, respectively. As of September 30, 2020 our Backlog was €919.4 million. This substantial and increasing Backlog provides several key benefits, including: (i) future visibility of revenue (*e.g.*, we estimate that our Backlog as of September 30, 2020 provided approximately nine months of visibility of revenue); (ii) increasing revenue coverage for the years ended December 31, 2015 and 2019, our Backlog as of the end of the year represented 70.0% and 84.0% of the next year's revenue (i.e., from 2016 to 2019) from contracts with customers; (iii) upfront non-refundable cash payments (up to 30% of our order value is paid upfront by customers, thus locking in future revenue and strongly disincentivizing customers from cancelling their orders); and (iv) an optimally budgeted cost base, tailored in advance on expected future production, thus allowing flexibility in economic or business downturns.

Our customer base is highly diversified and includes several blue-chip customers, including AstraZeneca plc, Novartis International AG, Pfizer Inc., Nestlé S.A., Unilever, Alcon, ThermoFischer, GSK, Porsche, Novo Nordisk, Johnson & Johnson, Sanofi, Rolex, Tetra Pak and Merck, many of whom have been our customers for more than 20 years. Our customers are also spread out geographically, with Italy, the Rest of Europe, Asia & Middle East, North America and the Rest of the World accounting for 12.1%, 35.1%, 22.2%, 19.7% and 10.9% respectively, of the revenue in 2019. These repeat customers provide us with highly recurring revenue from both After-Sales and the Original Equipment sales. For example, within our pharmaceutical segment, while new customers are acquired each year, a large and increasing volume of our sales are derived from existing customers.

As a result, our financial results demonstrate solid resiliency to economic cycles on the back of strong repeating business. The chart below shows the evolution of our revenue, EBITDA and EBITDA margin for the periods described therein.

Historical revenue and Adj. EBITDA evolution (€mm)



Note: CAGR '05-19 organic revenue and Adj. EBITDA figures computed based on the Company's perimeter as of 2005. CAGR '14-19 organic revenue and Adj. EBITDA figures computed based on the Company's perimeter as of 2014.

Highly attractive financial profile with best-in class margin profile and asset-light business model

Our financial track record is indicative of an attractive underlying business model that has delivered consistent revenue, revenue growth, EBITDA, EBITDA Margin, and cash flow generation (*i.e.*, EBITDA, less capital expenditures). As a result of these developments, our revenue grew from €1.3 billion in 2017 to €1.6 billion in the twelve months ended September 30, 2020, representing a compound annual growth rate of 7.3%. Adjusted EBITDA has grown from €224.1 million in 2017 to €294.4 million in the twelve months ended September 30, 2020, representing a compound annual growth rate of 10.4%. In 2017, 2018, and 2019 and for the twelve months ended September 30, 2020 and Adjusted EBITDA Margin was 17.0%, 17.3%, 17.6%, and 18.4% respectively. Cash flow generation has grown from €187.4 million in 2017 to €245.1 million in the twelve months ended September 30, 2020. Our asset-light business model, which entails the outsourcing of low value manufacturing activities, along with our limited capital expenditure requirements and highly variable cost base (with 80.0% of variable costs in cost of goods sold), drives our high cash flow generation, with approximately 80.0% average cash flow conversion from 2014 to the twelve months ended September 30, 2020.

Our resiliency was demonstrated through the unprecedented Covid-19 pandemic that disrupted businesses globally in the first half of 2020. For the twelve months ended September 30, 2020, we achieved a resilient and industry-leading Adjusted EBITDA margin of 18.4%, better than our Adjusted EBITDA margin in any of the prior five calendar years.

Experienced management team with extensive industry experience and strong shareholder support

Our business is supported by our highly experienced management team, which has led the strategic expansion of both our product and services offerings and our geographical reach. Our experienced senior management team, consisting of our CEO, Alberto Vacchi; CFO, Sergio Marzo; COO, Giovanni Pecchioli; Tea & Herbs, Coffee and Flex Pack Director, Klaus Peters; Production Systems and Purchasing Director, Massimo Marchesini; and, Organization Director, Massimo Ferioli, have each has been with us for at least 18 years. Our senior management is supported by a functional management team whose members have been us for more than 15 years on an average. The management team has achieved solid financial results by delivering strong growth both organically and through acquisitions. The team has an in depth understanding of the packaging machinery industry, an extensive network of industry relationships that span across the globe, and the ability to deliver high-quality and innovative products and services. Our management team has vast experience in successfully integrating multiple acquisitions, such as the bolt-on acquisitions of GIMA S.p.A. in 2010, Sympak Corazza Group in 2011, Tissue Machinery Company in 2018 and ATOP in 2019. We also intend to draw from the market expertise, business relationships, knowledge and experience of our historical shareholder, the Vacchi family, which will continue to be represented on the management team and remain invested, together with our new shareholder, BC Partners.

Our Strategies

We intend to implement the following strategies in order to successfully continue growing the business and delivering value for our shareholders:

Continue to build customer loyalty and become a total owner of a company's machinery solution

In recent years, the in-house engineering capabilities of our customers generally declined, giving us the opportunity to become the main provider of their machinery solutions. We are well positioned to offer such a solution thanks to our scale and breadth of offerings supported by a unique supply chain ecosystem and route density for sales and After-Sales products and services. Collaborating with our integrated supplier network gives us higher operational flexibility, lower delivery time, and a more variable cost base, as well as centralized scale procurement, and share enterprise resource planning systems. Once our highly customized machinery is installed, our longstanding customer base depends on the quality, scale, and breadth of our After-Sales business to maintain and upgrade the machinery. By offering quality solutions at every step, we intend to further solidify customer loyalty and our position as an essential partner to our customers.

Continue to focus on two core offerings and maintain our leadership in our attractive niche markets

Our core offerings are product filling/production machinery and primary packaging machinery. We intend to further strengthen these offerings by selling to markets that display multiple attractive competitive dynamics.

Our product filling/production machinery are used by companies in the pharmaceutical (across solid forms / pills, and liquid forms /injectables, etc.), tobacco (*e.g.*, e-cigarette parts), and automation/ e-motor production industries. To those companies, we address key purchaser criteria by offering a large number of possible processes and niche machines, customization, an attractive cost per unit, and reliability. This market is attractive to us because it offers high margins, values innovation, has very loyal customers, features many niches and has a highly fragmented competitive landscape.

Our primary packaging machinery are used by companies in the pharmaceutical, consumer goods (*e.g.*, coffee capsules, tea bags, vacuum sealed bags, flex wrapping for food, etc.), and tobacco (*e.g.*, traditional and e-cigarettes) end markets. To those companies, we address key purchaser criteria by offering reliability (particularly in sterile pharmaceutical lines); flexibility for changes to shapes, sizes, and quick changeovers; customization; production speed; and working with limited production space. This market is attractive to us because it (i) offers high margins, (ii) has limited competition, (iii) has repeat customers, (iv) is at the heart of packaging operations, and (v) has relatively complex machinery.

We intend to maintain our focus on our two core offerings and leadership in niche markets that we believe will lead to continued high margins and increased revenue.

Continue to pursue selective bolt-on acquisitions aligning with our strategic objectives

We intend to pursue selective bolt-on acquisition opportunities that align with our overall strategic objectives in order to reinforce our global market leadership position and penetrate fast-growing niches. We have successfully completed several strategic acquisitions since 2003. These acquisitions were made at attractive multiples that fueled historical growth, on top of strong organic growth. The acquisitions helped us acquire expertise that would be more difficult or require a longer time to develop in-house and allowed us to diversify our product portfolio, offer more integrated solutions, and expand geographically. We intend to maintain our efforts on acquisitions that directly or indirectly expand our presence and sales. By increasing our presence, we would be able to further serve our long-standing customers in those regions. We will also seek acquisition opportunities that add new technologies, generate cost synergies and unlock meaningful cross-selling potential.

Focus R&D investments on automation and materials handling

R&D and innovation are at the core of our value proposition to customers. We intend to focus on maintaining our leading position at the forefront of technological advancement in our market. To do so, we plan to continue investing in our R&D activity and maintain around 5.0% of our revenue investment in R&D each year. We believe these investments will pay off as we can exploit market demand that is less price-sensitive, but rather is focused on improvements in technology and time-to-market.

We will continue focusing a substantial part of our R&D resources on automation, which we believe will be driven by both changing working habits and new working regimes following the Covid-19 pandemic, which include, but are not limited to, increased remote working. Automation and digitalization are driving machine complexity across all end markets, through increased inclusion of sensors and software as a means to increase machine productivity. In addition, health and safety measures on production lines have led to changes in machinery requirements as businesses adapt to new workspace regulations. We believe our leading position in producing fully automated production lines across a range of end markets, our reputation for quality and innovation, as well as our longstanding relationships with blue-chip customers, positions us to take advantage of these developments.

We also intend to dedicate R&D resources to the fast-growing materials handling niche market. Materials handling is the short-distance movement of items within a facility. It is driven largely by e-commerce, which, in many cases, requires fast and efficient movement of items from inventory to distribution vehicles. We believe that dedicating R&D resources to this niche market can provide substantial returns as the need for such machinery continues to grow, especially during and following the Covid-19 pandemic.

We will also continue dedicating R&D resources to meet the growing demand for sustainable products stemming from changes in consumer preferences and government regulation. Sustainable products generally feature new packaging materials and formats (*e.g.*, bottle caps that remain attached to bottles, or thinner plastics that require more intricate machinery). Customers typically need new machinery to use these sustainable materials or produce the products. We believe the trend towards sustainable products will continue and we intend to position ourselves to take advantage of this trend by investing in the relevant R&D resources.

We also intend to invest internally by employing more engineers and increasing our innovation efforts, for example generating new ideas about packaging that we can propose to customers and enhancing the performance of our machines to make them more competitive on the market.

Maintain strong focus on free cash flow generation

We continue to improve the free cash flow generation of our business, which due to its low capital intensive nature, has allowed us to achieve an average cash conversion rate of approximately 81.0%

between 2015 and 2019 and can ultimately support our deleveraging efforts in the future. As part of this strategy, our management intends to continue its focus on profitability, disciplined working capital management, and targeted capital spending. Consistent with our historical performance, we intend to maintain a disciplined approach to growth by exploiting the favorable trends in our industry and adopting a selective acquisition strategy. We also plan to continue strengthening and expanding our efficient distribution platform, geographical reach and scale to extract further synergies, improve operating leverage, and maintain an attractive profitability and cash flow profile.

Our History

We were founded in Bologna, Italy in 1961 and the Vacchi family acquired 52.0% of our stock in 1963. From 1963, we steadily expanded our product and service offerings through a combination of in-house development and acquisitions. In 1967, we began the production of automatic tea bagging machines, a product for which we are now the market leader. Nearly a decade later, in 1976, we began the production of automatic machines for the packaging of pharmaceutical products by launching our blister packaging machine, thereby expanding our operations to another business segment.

During the 1980s, we expanded our geographical presence to the United Kingdom, France, Germany, the United States and Austria with the aim of strengthening our distribution networks. In addition, we continued our growth strategy by completing several bolt-on acquisitions in the Pharmaceutical segment, including CMS, Zanasi, Farmatic, Farmomac, PM System, Cestind and WinPack.

After an additional two decades of sustained growth, in 1995 we listed our shares on the Milan Stock Exchange. Since 2001, we have been listed on the STAR (prime quality stocks) segment of the Milan Stock Exchange. The Vacchi family continues to own a controlling equity interest. The listing helped us fund our expansion plan and reinforce our position as a global player through acquisitions in Italy, Germany and India, along with establishing a presence in China and Japan. In addition, the transformation into a public company prompted management to modernize our internal organization, with a view to ensuring sustainable growth.

Since the late 2000s, we continued to acquire companies with the goal of acquiring technological capabilities and organize the company to become a leader in its key business segments. In 2008, we acquired the freeze-drying machinery business of the BOC Edwards Pharmaceutical Systems Group, a leader in that market with operations in the Netherlands, the United States, and China. In 2010, we acquired GIMA S.p.A., based near Bologna, Italy, which operated in the automation, coffee, confectionary, personal care, and tobacco markets. In 2011, we acquired Sympak Corazza Group, a dairy and convenience food packaging company, to give us greater exposure to those growing markets. In 2012, we implemented a new organizational structure with two main brands: IMA Industries (machines for the packaging of tea, coffee, food and cosmetic products) and IMA Pharma (machines for the processing and packaging of pharmaceutical products). In 2013, we acquired ILAPAK Group, based in Switzerland, to gain exposure to the flexible packaging business. In 2016, we enhanced our product line and our global presence through the acquisition of the Medtech business of Komax Group, which has plants in Switzerland, the United States, and Malaysia. In 2017, we listed GIMA TT S.p.A. ("**GIMA TT**"), our subsidiary specialized in packaging for next generation tobacco products, on the Milan Stock Exchange, but, in 2019, we merged with GIMA TT, delisted it and made it the foundation of our Tobacco segment. In 2018, we acquired Tissue Machinery Company ("**TMC**"), a manufacturer of tissue and personal care products. In 2019, we acquired ATOP, a leading company in industrial automation for the production of electric motors for E-traction.

Our Products, Services and Brands

Across each of our three segments, we generate revenue from:

(1) original equipment design and assembly ("**Original Equipment**") and

(2) after-sales products and services ("**After-Sales**").

Original Equipment consists of designing, developing, assembling and installing complex machinery for companies in the pharmaceutical, food and beverage, tobacco and other industries. We tailor our products to meet the business needs of our customers, from customized functionality and need to integrate with existing operations to the requirement for our machinery to be designed to fit in the customers' physical production facility. The superior quality, range and expertise underpinning our Original Equipment products is central to our success.

After-Sales consists of providing existing customers with services, support and machinery parts relating to sold products, including (i) distribution and assembly of spare parts for the machinery, (ii) design and distribution of change parts and upgrade kits, (iii) highly specialized technical assistance on machines and packaging lines and (iv) training services, feasibility studies and ancillary services. Customer demand for After-Sales products and services is significant and recurring and is therefore a highly attractive and substantial source of business for us. We believe our high-quality and highly responsive After-Sales offering is a distinguishing factor that customers value because they often operate our machinery continuously and need expedient and effective support to minimize downtimes in their production schedules.

The following table sets forth the breakdown of our revenue by business for the years ended December 31, 2017, 2018 and 2019 and for the nine months ended September 30, 2020:

	For the year ended December 31,			For the nine months ended September 30,
	2017 RESTATED	2018	2019	2020
		(€ millions)		
Original Equipment	927.4	1,041.7	1,122.9	693.9
After-Sales	392.8	458.7	472.6	321.9
Total	**1,320.2**	**1,500.4**	**1,595.5**	**1,015.8**

Original Equipment

We are a leading company in the designing, developing, assembling and installing complex machinery for companies in the pharmaceutical, food and beverage, tobacco and other industries. Our customers, who mainly operate in the pharmaceutical, tobacco and consumer goods end markets, typically face strict regulatory and safety requirements. Our decades of experience, technical know-how and long-standing relationships with our customers enable us to meet their varied needs. We design bespoke solutions for customers according to their operational, regulatory and safety requirements. Our customers value our customization capabilities, our long-standing and highly reputable engineering expertise and the superior technology and reliability of our products.

Our Original Equipment sales generated €927.4 million, €1,041.7 million and €1,122.9 million, or 70.2%, 69.4% and 70.4% of our revenue, for the years ended December 31, 2017, 2018 and 2019 respectively, and €693.9 million or 68.3% of our revenue for the nine months ended September 30, 2020.

Our core product offering is focused on product filling/production and primary packaging machinery, which constitute most attractive steps of packaging processing chain, with the largest value-add and hence, the highest margins. We are also present in certain highly attractive niche markets for secondary packaging and end-of line packaging machinery, which are used in the final steps of the packaging processing chain.

Product Filling/Production. Product filling/production machinery is used in the first step of the packaging processing chain. We sell our product filling/production machinery primarily to companies operating in the pharmaceutical, tobacco, and e-motor end markets. To customers in the pharmaceutical end market, we sell machinery for the production of solid form pills holders and liquid form/injectable products. To customers in the tobacco end market, we sell machinery for the production of e-cigarette parts. To customers in the e-motor end market, we sell machinery for the production of starters and rotors used in the assembly of electric motors. In addition, such machinery is typically used as part of complex automated production lines which we also design and assemble for certain customers. Customers in these end markets choose their product filling/production machinery primarily based on the ability to meet stringent regulatory and safety requirements, reliability and reputation, in addition to adaptability to a large number of processes, customizability, and cost per production unit. Given these characteristics, product filling/production machinery command highly attractive margins and a very loyal customer base.

Primary Packaging. Primary packaging machinery is used in the second step of the packaging processing chain and consists in the production of machinery making the materials that first envelop the relevant products. We sell our primary packaging machinery to companies operating in the pharmaceutical, tobacco and consumer goods end markets. To customers in the pharmaceutical end market, we sell machinery that manufacture the aluminum and plastic sheets that hold pills. To customers in the tobacco end market, we sell machinery that are used to produce packaging for both traditional cigarettes and e-cigarettes. To customers in the consumer goods end market, we sell machinery that are used in the production of a wide range of products, including coffee capsules, tea bags, vacuum sealed bags, and flexible wrapping for goods. Customers in these end markets choose their products based on safety, regulatory compliance (particularly for pharmaceutical firms that must maintain sterile production lines), reliability, flexibility, capability of integration with the entire packaging production line, customizability, production speed, and size. Given these characteristics, the market for primary packaging machinery is characterized by attractive margins, limited competition, a very loyal customer base, and a high value placed on complex flexible machinery.

Secondary Packaging. Secondary packaging machinery is used in the third step of the packaging processing chain and consists of the production of machinery making the materials that are outside the primary packaging, and may be used to prevent theft or to group primary packaging together. We sell our secondary packaging machinery to companies operating in the pharmaceutical, tobacco and consumer goods end markets. Customers in these end markets choose their products based on production speed, reliability, and the size of the machinery. Given these characteristics, the market for secondary packaging machinery is characterized by much simpler machinery (e.g., there is no need for sterility or cross contamination control) and greater competition. As a result, we focus on select high-value niches like cartoning, wrapping and labeling of tobacco and pharmaceutical products, which allows us to achieve attractive margins.

End-of-line Packaging. End-of-line packaging machinery is used in the final step of the packaging processing chain—the manufacture of and packaging goods from across the spectrum of end markets we serve using large boxes for bulk handling, warehouse storage, transport shipping and distribution to retailers as well as final packaging used for small items (e.g., boxes for individual units of over-the-counter pharmaceuticals). We sell our end-of-line packaging machinery to companies operating in the pharmaceutical, tobacco and consumer goods end markets. Customers in these end markets choose their products based on price, production speed and reliability. Given these characteristics, the market for end-of-line packaging machinery is characterized by greater competition and low customization. Customers often also choose a single supplier for an entire line covering the full packaging processing chain, making their decision on primary packaging capabilities. As a result, we focus on select niches like packaging for small pharmaceutical products, which allows us to achieve attractive margins.

After-Sales

We provide customers with an extensive range of After-Sales products and services, which include the design, distribution and assembly of spare parts and upgrade kits for our Original Equipment machinery, highly specialized technical assistance on machinery and packaging lines, training services, feasibility studies and ancillary services. These products and services represent non-discretionary expenditures for customers that are looking for high quality, reduction of machine downtime and superior technical support. Our After-Sales business is closely connected to our Original Equipment business, given that an increase in our installed base directly drives an increase in the demand for our After-Sales products and services.

Due to the highly bespoke nature of our products and regulatory requirements, our customers typically prefer to use our After-Sales products services rather than relying on third party suppliers. This is particularly evident in highly regulated markets (e.g. pharmaceutical and tobacco), where the technological component, together with quality and reliability, is a strong barrier to entry for competitors. As a result, our After-Sales business is characterized by highly recurring and growing revenue, protected by our strong longstanding relationships with our customers.

Our After-Sales business generated €392.8 million, €458.7 million and €472.6 million, or 29.8%, 30.6% and 29.6% of our revenue, for the years ended December 31, 2017, 2018 and 2019 respectively, and €321.9 million or 31.7% of our revenue, for the nine months ended September 30, 2020.

A description of the products and services we offer through our After-Sales business is set forth below:

Traditional Products and Services. The traditional products and services that we offer with respect to our previously installed Original Equipment include (i) spare parts, (ii) format parts, (iii) technical assistance and (iv) other services, which represented 41.8%, 20.5%, 32.9% and 4.8% of our After-Sales revenue for the year ended December 31, 2019. Spare parts are replacement mechanical parts that are needed on a recurring basis. Format parts, by contrast, are larger component parts which determine the shape of our customer's products. Technical assistance services can be varied, but primarily consists of maintenance work on previously installed Original Equipment.

We engage in R&D activities tailored to our customers' needs, in addition to the sale of ordinary and extraordinary spare parts, change parts and improvement kits. We also arrange visits with our engineers at our customers' facilities in order to inspect the installed machines and to provide basic operational training. Given the importance of our After-Sales business in maintaining a strong relationship with our customers, we are highly focused on training our technicians to be well-equipped to meet customer demands quickly with skilled technical assistance both onsite and remotely.

Industry 4.0 Services. The Industry 4.0 services that we offer include (i) predictive maintenance, (ii) operational efficiency improvement and (iii) digital/data services. Predictive maintenance includes the use of built-in sensors that can provide real time wear and tear alert to the customer. Operational efficiency improvement includes consulting services aimed at closing the gap between actual and optimal machine usage. Digital/data services include software upgrading, which are increasingly significant as an increasing number of the Original Equipment that we sell are digitally/sensor-enabled.

Approximately 80.0% of the Original Equipment we offer for sale is digitally/sensor-enabled, allowing us to interact with them remotely through a secure connection for maintenance and repairs and to implement specific adjustments when needed. This increasingly large portion of our Original Equipment enables us to deliver high-quality service to our customers irrespective of their location, expedite spare parts and format parts delivery and reduce machine downtimes. This also contributes to reduction in idle work costs since we typically do not need to visit our customers' premises after we are contacted for technical assistance for certain activities (i.e. software updates, issue assessment and routine checks). If necessary, through our global footprint we can provide on-site services in a relatively short timeframe or major maintenance and/or repairs and upgrades.

Business Model

We generate our revenue from the design, assembly and installation of complex machinery for the processing and packaging of pharmaceuticals, tobacco, cosmetics, food, tea and coffee and we provide our customers with (i) design and development of highly customized packaging machinery and (ii) After-Sales products and services.

We operate in an industry involved in supplying customized goods and services based on technical specifications requested by customers and, therefore, our business model requires significant investments in R&D, as well as the adoption of internal policies for supply management, multi-vendor policies (though in some cases we rely on a single supplier for custom-made components), as well as policies and business guidelines to prevent fraud.

Research and Product Development

Our R&D efforts are aimed at developing profitable products and solutions for our customers with whom we often partner to develop products for their specific packaging needs. We believe that our R&D competencies, especially for innovative solutions, such as our capabilities to develop highly customized state-of-the art machines, thereby offering higher flexibility and reliability, differentiate us from our competitors. We develop our technology in-house and also assemble in-house, which guarantees continuous process improvement, increased efficiency and worldwide support with the same high standards as in our production facility. We also believe this creates barriers to entry for potential new market participants.

Our R&D team works closely with customers in all key areas of product development providing four different responses, based on the level of customization required:

(A) when little or no product customization is required, we simply evaluate the request from our customer and reply to the bid with our offer;

(B) when one of our customers' requests a medium to high level of customization and provides us with technical specifications of the product desired, we first undertake a feasibility study, which is usually paid by the customer, to improve the product design or to customize the product set-up. Pricing for the manufacturing of the related machine or line is determined only after the successful completion of the feasibility study;

(C) if customization needs are high, we conduct joint research with our customers, offering full support to them and aiming at completing the feasibility study successfully. If product manufacturing eventually proves to be not viable, we seek payment of the research services rendered to the customer; otherwise, if the feasibility study is successful, we will determine a price to provide the relevant machine or line; and

(D) finally, we are also a development partner for many of our customers, working with them to develop new products that meet the needs of their own R&D and marketing activities.

We have strategically positioned our R&D department inside our production facilities to centralize the development of our advanced technologies, components and process technologies and minimize costs. Our R&D employees also work, on a day-by-day basis, with externally contracted engineers and consultants.

We carry out all necessary tests with the aim to ensure the safety operation of our products and to gain valuable insights for further developing and improving our machines and packaging lines. Our R&D efforts also follow the major trends towards enhanced flexibility to allow quick replacement of change parts.

As of December 31, 2019, R&D costs amounted to €53.9 million, slightly lower than €55.3 million as of December 31, 2018, representing 3.4% of our revenue. R&D costs for the year ended December 31, 2018 represented a slight increase compared to €51.0 million for the year ended December 31, 2017 and represented 3.7% of our revenue. R&D costs primarily include the research costs incurred on the technological upgrading and normal revamping of standard products. Our approach to R&D expenditure has always been a distinguishing characteristic of our Group and, over the years, has resulted in a strong market position, especially in difficult niches, highly demanding in terms of regulation and safety standards (as opposed to mass market packaging).

Sales and Customers

Sales

We manage our sales directly or through a wide network of sales representatives that includes both branches and agents. In order to be more focused on our customers' individual approaches, we have established strong and reliable relationships with customers on a global scale to reflect our customers' solid international presence.

Contracts are individually negotiated with each customer to better adapt to customer's differing needs, but typically follow one general format. Our broadest agreements are "master supply agreements", according to which we agree to supply equipment, including secondary equipment as well as related spare parts, change parts and kits; and our "development agreements", according to which we agree to work consistently with the customer to develop many products for use in their production chain.

Backlog and New Orders Intake

Our Backlog consists of the contracted future revenue relating to all signed orders for which customers. Our customers pay up to 30% of the total invoice in the early stages of the relationship by paying the first tranche of the agreed price. New orders intake represents the value of orders that are added to the Backlog during the relevant period and also includes cancellations of work or changes to existing contracts already in the Backlog, which helps illustrate our annual Backlog turnover.

In particular, when we include the amount of expected revenue and income from a contract in the Backlog, it assumes that each party will satisfy all of its respective obligations under such contract and payments to us under the contract will be made on a timely basis consistently with the relevant payment conditions of each agreement. For contracts that are not for a lump sum, we estimate and update the related Backlog based upon the estimated amount of work to be completed through periodic consultation with the customer. Figures relating to projects for which we have not received purchase orders from customers are not included in the total Backlog.

We believe that our Backlog is a helpful indicator of the growth of our Original Equipment business and that it provides a useful trend of information and visibility for our short- and medium-term financial results.

The table below shows our Backlog for the years ended December 31, 2017, 2018 and 2019, for nine months ended September 30, 2019 and 2020.

	As of December 31,			As of September 30,	
	2017	2018	2019	2019	2020
			(€ million)		
Tea, Food & Other	194.0	326.1	326.3	402.7	318.2
Pharmaceutical	502.4	562.0	528.7	622.6	562.2
Tobacco Packaging	110.4	53.4	54.0	52.0	39.0
Total Backlog	**806.8**	**941.5**	**909.0**	**1,077.3**	**919.4**

With regard to the methods of payment applicable to customers, these are agreed each time between the parties; however, up to 30% of the total invoice is paid by the client in the early stages of the relationship by paying the first tranche of the agreed price. See "*Presentation of Financial and Other Information—Non-IFRS Measures*", "*Risk Factors—Risks Factors Relating to Our Business and Industry—Our Backlog is subject to unexpected adjustments and project cancellations and is, therefore, not necessarily indicative of our future revenue or results of operations*" and "Management's Discussion and Analysis of Results of Operations and Financial Condition—*Key Factors That Have Affected Our Results of Operations—Greater Visibility from Backlog.*"

Customers

We sell our products to a large and diverse customer base globally. Our customer base comprises some of the leading companies in the pharmaceutical and tobacco industries, as well as some of the largest tea, coffee, dairy and food companies. Customers often operate machinery around the clock and are more sensitive to downtime avoidance than price, hence the primary focus of their purchasing decisions is on reliability and quality. Customers tend to select machinery from manufacturers with good service support, including, among other things, superior technical knowledge and ability to deliver spare parts in a timely manner.

Our large, high quality, loyal and long-standing customer base allows us to rely on recurring business from repeat customers and resilience of revenue due to strong order Backlog. In none of the past three years has any customer accounted for any significant percentage and there is no customer concentration with no single customer accounting for more than 2.5% of our revenue in 2019. This is primarily due to (i) complete lines and new machineries representing the main investment for the setup of any industrial plant; (ii) low turnover rate of machinery; and (iii) our ongoing relationship with customers being based mainly on technical support and maintenance. We work with our customers in order to tailor machines and offer a high degree of personalization. Most of the machines sold by us are customized to meet customers' specific needs. Customization generally involves modification of our standard machines to include functions such as secondary and end-of-line packaging.

In the five-year period 2014 to 2019, on average, our top twenty customers have collectively accounted for less than 21% of our annual revenue. Though our customer base is diversified, we provide products and services to major international customers, such as Pfizer, AstraZeneca, Johnson & Johnson, Merck, Nestlé, Sanofi, Tetrapak, Unilever, Novartis, Alcon, ThermoFischer, GSK, Porsche, Novo Nordisk, Johnson & Johnson, Sanofi, Rolex and Merck and have maintained relationships with the first eight of these customers for more than 20 years.

Suppliers

We rely on a broad network of suppliers, both local, based in the Bologna packaging district, and global, for key raw materials and components. We have a large supplier base and we are not reliant on any single supplier for any component, nor have we signed framework agreements with any supplier. In none of the past three years has any single supplier accounted for any significant percentage and there is no supplier concentration. Our supplier network allows us to keep our capital expenditure and fixed costs base at a minimum and maintain high flexibility, while reducing delivery time and mitigating our exposure to fluctuations in raw material prices.

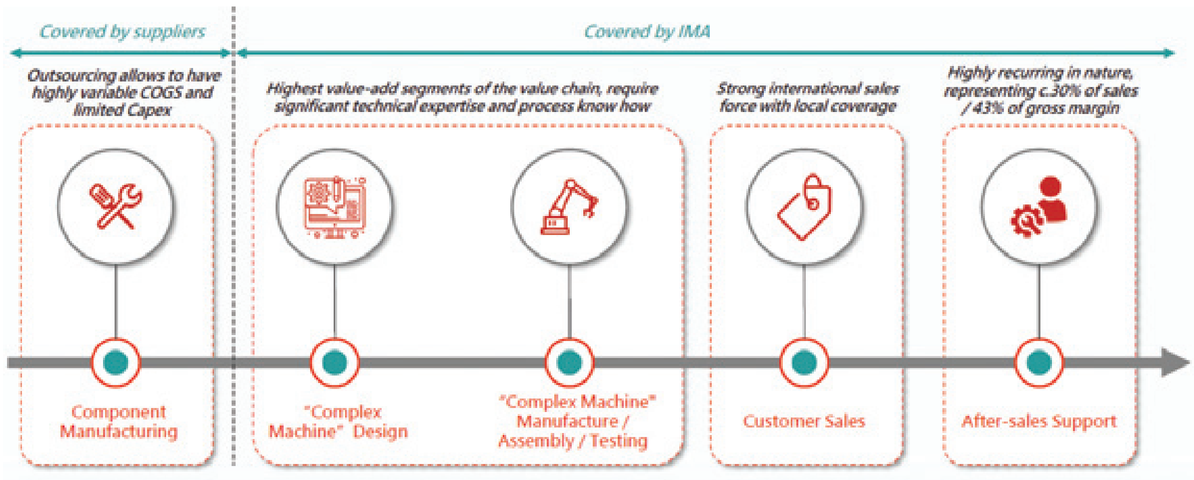
Our supplier procurement strategy is based on three basic concepts: (i) developing a core supplier base,(ii) supporting the supplier base structure and (iii) focusing on highly strategic projects. We monitor our supplier base carefully to develop a set of core suppliers.

We also engage in negotiations with global suppliers to build long-term relationships. Suppliers are selected with the aim to ensure they can provide adequate support to our manufacturing facilities. In addition, we purchase high-volume materials from local sources and develop local maintenance and assistance units to deal with any material and supply concerns. Finally, we involve suppliers early in our new developments to ensure they can provide the materials needed to realize our and our customers' visions for our strategic projects, developing close cooperation with the key suppliers for such projects.

For key components we rely on a network of possible suppliers that allows us to minimize costs and avoid assembly downtime. We purchase our key components from independent suppliers and consider our relationship with them to be strategic for our business. These key components commercial suppliers are leading players worldwide, such as Schneider Electric, Siemens, Stäubli, SKF and SMC. See also "*Risk Factors—Risk Factors Related to Our Business and Industry—We may face disruptions in our supply chain.*"

We also source from a network of local suppliers in which we have made minority investments. All those suppliers are independently managed businesses, but our investments give us strengthened reliability and long-term visibility.

While we rely on suppliers for component manufacturing, the remainder of the supply chain, which has a higher value-add and requires specific know-how and expertise, is directly controlled by us, as shown in the chart below:



Assembly/Quality Control

All of our quality check functions are carried out in-house within the assembly process, from our network of engineers and highly specialized technicians.

Our production facilities operate according to our manufacturing standards, designed to guarantee continuous process improvement, and allow for worldwide technological support with the same standards. We have developed an in-house production system for lean and efficient production with a culture based on continuous improvements. It provides a guideline for full control of the entire supply chain from receiving materials from our suppliers until the end product reaches the customer.

Our in-house production system has allowed us to gain control over key performance indicators, thus allowing us to protect our margins and reduce costs for our customers.

We also implemented an internal quality control system which covers the entire life cycle of our machines and packaging lines, from the initial research and development phase, through design, delivery and installation to post-sale support. See "*Risk Factors—Risk Factors Related to Our Business and Industry—Product defects may result in losses in revenue and/or reputational harm which could affect our earnings and, due to our warranties, result in increased costs.*"

A compliance checking system constantly traces all the relevant rules and regulations in order to ensure that the product is compliant with all applicable legislation and international standards in the same way in which our quality control system complies with Good Manufacturing Practices (GMP) and Good Automated Manufacturing Practice (GAMP) standards.

Test & Installation

Once the machine and/or the packaging line has been assembled, we perform a detailed inspection during which several tests are run in order to verify whether the machine and/or the packaging line is compliant with the specifications requested by our customer (a so-called "factory acceptance test").

Following the positive result of the factory acceptance test, the machine and / or the packaging line is transported to the place indicated by the customer where highly specialized technicians install and complete another on-site test (a so-called "site acceptance test").

Assets

Property, Plant and Equipment

Manufacturing Facilities

We have 45 manufacturing facilities sites located in nine countries.

Our material manufacturing facilities as of September 30, 2020 are our (i) 27 located in Italy; (ii) three located in Switzerland and China; (iii) two located in Argentina and India and (iv) one located in Germany, UK and Malaysia.

Employees

For our clients, we are not merely a supplier of products, but also a solver of complex problems via specifically designed solutions that are tailored to meet their individual requirements. This implies that all of our business processes, from preparing bids to providing After-Sales support, are conducted with an extremely low level of repetitiveness. Accordingly, the proper and smooth functioning of these processes depends on the initiative and pro-active approach of the individuals who personally carry them out, and on their ability to work together with everyone else in the organization. Because of this, our employees represent our principal asset (approximately 70.0% of our employees are engineers and specialized technicians) incorporating all of our knowledge and skill.

Because the knowledge and skills our employees possess is so valuable to us, we dedicate considerable attention to the proper management of employees, investing heavily and continually in their professional development, adopting an organizational model with a high degree of participation and applying a bonus system based on the rigorous identification and assessment of the skills acquired by each employee.

Many of our employees, including those we employ in Italy, belong to organized labor unions. We generally enjoy mutually-beneficial relationships with the unions and have not experienced any threatened or actual work stoppages as a result of poor labor relations.

In 2019, the average number of employees of the Group was 5,949, which was an increase of 493 or 9.0%, compared to 5,456 in 2018.

The following table sets forth the regional breakdown of number of employees as of December 31, 2019:

	As of December 31, 2019	
	(# employees)	(%)
Italy	3,551	59.7
India	562	9.4
United States	491	8.3
Switzerland	307	5.2
China	288	4.8
Germany	206	3.5
Argentina	128	2.2
Eastern Europe	101	1.7
United Kingdom	96	1.6
Malaysia	62	1.0
France	48	0.8
Brazil	35	0.6
The Netherlands	33	0.6
Spain	21	0.4
Japan	9	0.2
Israel	8	0.2
Thailand	3	0.1
Total	**5,949**	**100.0**

Our employees are allocated across our organizational structure. Approximately 17.8% work in sales (including both pre-sales and after-sales), 22.1% work in our research and development laboratories, 13.4% work in corporate functions (e.g., administration, information technology, procurement, quality control, human resources, etc.), and 46.7% work in production and logistics.

Recruitment

Our recruitment and selection process is aimed at selecting candidates that best respond to the needs of each department. Our recruitment campaigns may be conducted either directly or through the use of approved recruitment agencies. For junior positions, the process begins at university level with the selection of the best candidates for placements and apprenticeships by our internal assessment center. In any case, in case of vacancies we tend to prioritize internal candidates.

Remuneration and benefits

Our remuneration system is based on the "pay for performance" principle, designed to encourage and reward high levels of performance, aligning managers' interests with those of our shareholders by means, for example, of stock option plans. Our remuneration strategy aims to ensure that pay corresponds to the responsibilities of each role and individual performance, optimizing and retaining key resources while remaining in line with national employment legislation. The remuneration system is composed of basic pay, variable short-term compensation (variable annual bonus), additional benefits (such as pension contributions and reimbursement of medical expenses) and variable mid-to-long term compensation (mainly represented by stock option plans). The variable short and mid-to-long term payments are subject to the achievement of measurable financial results, which are made known in advance to potential beneficiaries.

Training and development

We consider the development of human capital as key to the success of our business. Therefore, we seek to foster our employees' personal and professional growth through various initiatives, such as individual training, on-the-job training, coaching, mentoring and one-to-one counseling. In particular, we aim to support our employees in the development of technical, managerial and linguistic skills, as well as specialized and professional skills.

Health and safety

The Company takes care of safety and the working environment by seeking to comply with current legislation and through specific training designed to create a "culture of safety". The principles of that culture are applied by all of our companies throughout the world. To further improve our culture of safety, in 2019 we increased our commitment and investment in staff training and information, which is considered the fulcrum of the safety management system currently in use. In our pursuit of a safer workplace, we involve all those who are in charge of the various production facilities in the effort. In addition to holding leaders accountable, we seek to provide specific information on a timely basis to our employees about the risks to which they may be exposed, together with training designed to inculcate the use of safe working practices.

Intellectual Property

We have obtained patents and licenses to protect our products, their design and our manufacturing process and we are continuously seeking to secure further patents on our developments. We hold over 1,700 patents and patent applications worldwide. See "*Risk Factors—We could be unsuccessful in adequately protecting our intellectual property, technological know-how and trademarks and there is a risk that we might infringe the intellectual property rights of others*".

Insurance

We maintain comprehensive insurance policies with respect to product liability, environmental liability, all risk property and business interruption, cargo and transport, industrial legal aid, fidelity, electronic, cyber risk policy, credit, as well as health and accident covering most subsidiaries and operations to the extent we consider appropriate or otherwise required by applicable law. We believe that we maintain a level of insurance that is appropriate for the risks of our business and is comparable to that maintained by other companies in the packaging industry. We are not currently involved in any material claims under our insurance.

Information Technology

Our critical information technology systems are largely operated and hosted by IMA (core systems), Zucchetti (Payroll), Microsoft (email and collaboration platform), and Vodafone (mobile communication). Our core systems are centralized in data centers located in Ozzano dell'Emilia (BO). Other non-core IT systems are operated by Zucchetti, Microsoft, SAP, PTC, IUNGO, and Vodafone.

Regulation

Overview

Our business is regulated in all of the jurisdictions in which we operate and we are required to hold a wide variety of licenses and permits. Our manufacturing facilities and operations are subject to both national and international regulatory regimes. In the member states of the European Union (the "**Member States**"), the regulatory environment of our business activities is shaped by EU directives and regulations, which are either implemented in the individual Member States through national legislation or have direct application to the states or individuals. In the United States, our facilities are subject to federal, state and local environmental laws and regulations. Regulations that affect our operations mostly relate to areas of environmental protection, product safety and quality, occupational health and safety, industrial hygiene and plant safety.

Environmental, health and safety ("**EHS**") laws and regulations govern our facilities and our operations, including: (i) the storage, handling, treatment and disposal of hazardous substances and wastes; (ii) water discharges; (iii) air emissions; (iv) human health and safety; (v) the remediation of releases of hazardous substances and of contaminated facilities; and (vi) the manufacture, sale and use of our products. Many of our operations require permits and controls to monitor or prevent pollution. We have incurred, and will continue to incur, substantial ongoing capital and operating expenditures to comply with current and future EHS laws and regulations, which tend to become more stringent over time.

Our environmental management systems are intended to ensure that we both comply with applicable environmental requirements and minimize environmental risk. We actively address EHS issues in connection with our operations and properties, and we believe that we have systems in place to ensure that EHS costs and liabilities will not have a material adverse impact on us. Nevertheless, estimates of future EHS costs and liabilities are inherently imprecise, and the imposition of new or unanticipated costs or obligations could have a material adverse effect on our business, financial condition or results of operations.

The following summary highlights some of the key EHS laws and regulations that apply to our business.

REACH Classification, Labeling and Packaging and Similar Regulations

The European Union requires control of the use of chemical products within the European Union by imposing on all affected industries the responsibility for ensuring and demonstrating the safe manufacture, use and disposal of chemicals. The REACH regulation requires the registration of all chemicals manufactured in or imported into the European Union (either alone, in mixtures or in articles). Although REACH compliance is primarily the responsibility of our suppliers or the producers of chemical raw materials, we are also affected by REACH as a "downstream" user of REACH-regulated substances.

In the United States, Toxic Substances Control Act ("**TSCA**") ensures that chemicals manufactured, imported, processed, or distributed in commerce, or used or disposed of in the United States do not pose unreasonable risks to human health or the environment. Chemicals not listed on the TSCA registry or otherwise exempted cannot be imported into or sold in the United States, until registered with the EPA. TSCA sets forth specific reporting, record keeping and testing rules for chemicals (including requirements for the import and export of certain chemicals), as well as other restrictions relevant to our business.

Air Emissions

Our U.S. facilities are subject to the Clean Air Act, which addresses threats to human health and the environment from emissions of pollutants into the air. The Clean Air Act establishes air quality standards and sets emission limits principally for carbon monoxide, lead, nitrogen oxides, particulate matter, ground level ozone and sulfur dioxide and regulates the emission of certain designated hazardous air pollutants. It authorizes the EPA to regulate hazardous air pollutant emissions from major stationary and mobile sources, such as large industrial sources, and phases out the production of substances that deplete stratospheric ozone. Recently, the EPA has also begun to regulate certain greenhouse gas emissions under the Clean Air Act.

Our facilities in the European Union are subject to the EU Emissions Trading System (the "**EU ETS**"), which is an EU-wide system of trading allowances that are issued by Member States to cover industrial GHG emissions and which has been implemented in Germany by the Greenhouse Gas Emission Trading Act (Treibhausgas-Emissionshandelsgesetz) ("**TEHG**"). Industrial facilities to which the EU ETS applies receive a certain number of allowances to emit greenhouse gases and must surrender one allowance for each ton of greenhouse gases emitted. Facilities that emit fewer tons of greenhouse gases than their allocated allowances cover may sell their excess allowances in the open market, whereas those that emit more than their currently held allowances must buy additional allowances.

Further, in respect of our operations in the United Kingdom, we are affected by the UK government's "Electricity Market Reform" provisions to set a "carbon floor price," below which the price of CO2 allowances in the UK will not be permitted to fall.

Contamination, Environmental Remediation and Closure Liabilities

Under the requirements of permits or pursuant to certain EHS laws and regulations we may be required to investigate and remediate contamination at facilities, which we use or have used in the past, particularly if we close an operational facility. In connection with contaminated properties, as well as our operations generally, we also could be subject to claims by government authorities, individuals and other third parties seeking damages for alleged personal injury or property damage resulting from hazardous substance contamination or exposure caused by our operations, facilities or products.

Spills or releases of hazardous materials, the discovery of previously unknown contamination, or the imposition of new obligations to investigate or remediate contamination at our facilities, could result in substantial unanticipated costs. We could be required to establish or substantially increase financial reserves for such obligations or liabilities and, if we fail to accurately predict the amount or timing of such costs, the related impact on our business, financial condition or results of operations in any period in which those costs need to be incurred could be material.

Laws and regulations of many of the jurisdictions in which we operate oblige us to prevent contamination of the soil by taking adequate precautions. The relevant governmental authorities may require responsible parties to take remediation measures, or do so themselves, placing the costs for such action on the responsible parties.

In the United States, the Comprehensive Environmental Response, Compensation, and Liability Act ("**CERCLA**"), as amended by the Superfund Amendments and Reauthorization Act of 1986 ("**SARA**"), and commonly known as the "Superfund," as well as similar state laws, govern the remediation of contaminated sites and establish joint and several liability for site owners and individuals and entities responsible for disposing of or releasing hazardous substances at, or operating, such sites. In some cases, a party that sent waste to a contaminated site can be held liable for the entire cost of remediation regardless of fault, the lawfulness of disposal or the actions of other parties.

Tobacco-Related Regulation

The regulation of tobacco and tobacco packaging has intensified in recent years in response to public health concerns, but regulation varies across the jurisdictions in which our clients operate due to a variety of legal, political, economic and social factors.

In Europe, the European Parliament and European Council adopted Directive 2014/40/EU concerning the manufacture, presentation and sale of tobacco and related products (the "**Tobacco Directive**") in 2014 aimed to improve the functioning of the internal market for tobacco and related products. On October 9, 2015, the European Commission adopted regulation specifying the content, size, color, font and position of the health warnings on the packages. Some European nations, including Italy, have adopted further measures to enhance the protection of minors. In the United States, the FDA has broad powers to regulate the production, sale and marketing of tobacco-based products. One rule requires any new tobacco-based product that is not "substantially equivalent" to a product on the market as of February 2007 to undergo an expensive approval process. In 2016, the FDA's authority was extended its authority to electronic cigarettes, cigars and other related products, which may significantly change the electronic cigarette market in the United States. In China, state control of the tobacco industry, together with the central role of cigarette consumption in the Chinese society, have traditionally favored more permissive tobacco regulation compared to other countries. In recent years, however, a more restrictive approach to the industry has emerged, partly linked to the change of political leadership in the Chinese government.

Food Packaging Regulation

Our products are subject to the European Commission Regulation on Plastic Materials and Articles Intended to Come into Contact with Food (the "**Food Packaging Regulation**"), which is directly applicable to all Member States without transposition into national law. This Regulation establishes specific requirements for the manufacture and marketing of plastic materials and articles that are intended to come into contact with food, are already in contact with food or can reasonably be expected to come into contact with food. The Food Packaging Regulation sets out the rules to follow in order to be able to introduce food packaging products into the market.

This Food Packaging Regulation sets out a list of authorized substances (some of which, due to specific restrictions, must be of a specific purity and quality), which may be used in the manufacture of plastic layers in plastic materials and articles. Additionally, plastic materials and articles must not transfer their constituents to food in quantities exceeding the specific migration limits, as provided by the Food Packaging Regulation.

Occupational Safety and Health

In the United States, the Occupational Safety and Health Act of 1970 ("**OSHA**") addresses safety and health in workplace environments. OSHA's "general duty" clause requires an employer to furnish to its employees a place of employment free from recognized hazards that are likely to cause death or serious physical harm. In addition to the federal standards, states may design their own job safety and health programs, as long as they are at least as effective as the federal standards. OSHA's hazard communication standard requires chemical processers to employ a hazard communication program utilizing labels and other forms of warnings, as well as material safety data sheets, setting forth safety and hazardous materials information to employees and customers. OSHA's hazard communication standard covers both physical hazards (such as flammability or the potential for explosions) and health hazards. Employers must provide their employees with a minimum level of training on proper chemical handling procedures. Our U.S. facilities provide basic training to employees and visitors who have access to chemical handling areas.

Under OSHA, we also must conduct workplace assessments to determine whether hazards are present that require the use of personal protective equipment. If such hazards are present, we must provide appropriate equipment to our employees at our cost and expense, and must require employees to use such protective equipment. OSHA also establishes workplace chemical exposure levels for indoor air quality.

Environmental Issues and Climate Change

We are subject to a number of local, national and regional laws and other requirements relating to the protection of the environment and the safety and health of personnel and the public. These requirements relate to a broad range of our activities, including (i) product and industrial related environmental protection and (ii) operational management of occupational safety and wellbeing related to hazardous substances in production activities. We are exposed, from time to time, to environmental investigations and assessments, which in certain instances may require us to undertake certain actions or adopt certain measures.

Outside of our obligations under various laws, we strive to act with a view toward corporate social responsibility and concern for the communities in which we operate. We are committed to maintaining high levels of safety and environmental protection. We believe that are our commitment has been demonstrated by through a good record of environmental stewardship reflecting no known damage to the environment in the most recently completed fiscal year.

We have numerous projects underway that demonstrate the high level of environmental sensitivity and strong commitment to innovation that has always distinguished us. For example, our IMA NOP project is, in part, a response to the approval by the European Parliament of a directive limiting the use of various disposable plastic items, which has consequently fueled a demand for new automatic machines to lower the use of plastic in packaging. Through IMA NOP, we have already developed some innovative solutions in collaboration with the major market players, thereby meeting, or even anticipating, the needs of the market.

We believe that the innovative efforts of mass consumer companies towards introducing new materials or new solutions could be of benefit to us, which is always proposing innovations in packaging machinery that is able to handle new materials with the same efficiency as now.

Energy choices, global warming, human health, are all key topics and after acquiring control of ATOP, leader in the sector of machines and automatic lines for the production of stators and rotors for electric motors for the automotive sector. We believe that electric traction is not just a good business, but also central to achieving levels of environmental sustainability compatible with human health.

We have also taken steps to ensure our operations are in line with widely-acceptance standards for environmental management. In 2019, we maintained certification of our Environmental Management System according to ISO 14001:2015. ISO 14001:2015 helps an organization such as ours achieve the intended outcomes of its environmental management system, which provide value for the environment, the organization itself and interested parties. Currently, we apply the system to our main production sites.

The aforementioned result was achieved through specific audits carried out in January and October 2019 by a third-party certification company, which confirmed full compliance with all applicable environmental regulations and the complete and correct implementation and effectiveness of our Environmental Management System.

Legal Proceedings

We are from time to time subject to legal proceedings of civil and administrative nature and we make special provisions to cover possible losses in our legal proceedings. We do not currently have any pending material legal proceedings. See "*Risk Factors—Risks Related to Our Business and Industry—We are exposed to risks related to conducting operations in many different countries.*"

MANAGEMENT

The Issuer

The Issuer is a joint-stock company (*società per azioni*) incorporated on September 16, 2020 and existing under the laws of Italy. The Issuer is a holding company formed for the purpose of facilitating the Transactions and is not expected to engage in any activities other than those related to its formation and the Transactions. The Issuer's only material assets and liabilities are currently, and are expected in the future to be, its interest in the issued and outstanding shares of its subsidiaries and its outstanding indebtedness and inter-company balances incurred in connection with the Transactions (including approximately 66.82% ownership of Outstanding Company Shares) and the other transactions described in this Offering Memorandum.

The Board of Directors of the Issuer is composed of Alberto Vacchi (chairman), Sergio Marzo and Stefano Ferraresi, each of whom is a member of the Company's Board of Directors at the address Via Luigi Carlo Farini 11, 40124, Bologna, Italy.

The Company

The following is a summary of certain information concerning the management of the Company, certain provisions of the by-laws (*statuto*) of the Company and of certain aspects of Italian law regarding corporate governance. This summary is qualified in its entirety by reference to such by-laws and Italian law.

The Company is managed by a board of directors (*Consiglio di Amministrazione*) which, within the limits prescribed by Italian law, has the power to delegate its general authority to an executive committee or one or more managing directors. The board of directors determines the powers of the chief executive officer. In addition, the Italian Civil Code requires the Company to have a board of statutory auditors (*Collegio Sindacale*) which functions as a supervisory body (see below).

Board of Directors

The Company's Board of Directors is comprised of eleven (11) directors. The following table sets forth the names, ages and titles of the members of the Company's Board of Directors:

Name	Age	Date of Appointment
Sonia Bonfiglioli	57	October 27, 2020
Marco Castelli	39	October 27, 2020
Cesare Conti	57	October 27, 2020
Luca Maurizio Duranti	47	October 27, 2020
Stefano Ferrraresi	48	October 27, 2020
Paola Alessandra Paris	52	October 27, 2020
Luca Poggi	59	October 27, 2020
Christelle Rétif	47	October 27, 2020
Alessandra Schiavina	56	October 27, 2020
Maria Carla Schiavina	55	October 27, 2020
Alberto Vacchi	56	October 27, 2020

Set forth below is certain biographical information relating to the members of the Company's Board of Directors.

Sonia Bonfiglioli earned a degree in mechanical engineering, and a master of business administration from Profingest (now Bologna Business School) and graduated from an advanced management program at IESE Business School. She was appointed director of Bonfiglioli Riduttori S.p.A. in 1982, managing director in 2008 and chairman in 2010. For her professional accomplishments, Ms. Bonfiglioli has received several honors. In 2015, she received the title of "Cavaliere del Lavoro", a sign of the Order of "Merit of Labor," in March 2017, she was awarded the title of Honorary Citizen of Forlì, and, in 2018, she was named the EY Entrepreneur of the Year. She currently holds various corporate offices, including vice presidentship of Confindustria Emilia, directorship in Panariagroup—Industrie Ceramiche S.p.A., director of Umbra Group S.p.A. and membership in the Executive Committee of Comitato Leonardo—Italian Quality Committee and in the Scientific Committee of Nomisma. Ms. Bonfiglioli brings her business expertise to the Board of Directors.

Marco Castelli earned a bachelor degree in business administration, major in general management from University Luigi Bocconi in 2005 and a master of business administration with a concentration in analytic finance and accounting from the University of Chicago Booth School of Business in 2011. He joined the leveraged finance department at JP Morgan in London in 2004 and, in 2005, he joined Bain & Company as a strategy consultant with projects across industrial, oil & gas, consumer goods and private equity sector. In 2006, he joined BC Partners where he is currently responsible for sourcing, negotiating and monitoring portfolio company investments for the funds advised by BC Partners. He currently holds offices in various companies including directorship of Forno d'Asolo S.p.A., DentalPro S.p.A. and Cigierre S.p.A. Mr. Castelli brings his experience in finance and portfolio company management to the Board of Directors.

Cesare Conti earned a degree in economics from Università degli Studi di Bergamo in 1986 and a PhD in business administration and management at University Luigi Bocconi in 1991. Mr. Conti has been admitted to the Register of Chartered Accountants of Milan and to the Register of Auditors and Technical Consultants of the Judge of the Court of Milan. Mr. Conti is the director of the Master of Science in Finance of University Luigi Bocconi, where he is a professor of Corporate Finance in the Department of Finance. He currently holds offices in various companies both listed and unlisted, including directorships and membership to the board of statutory auditors. Mr. Conti is also author of numerous publications on corporate finance, valuations and company financing; corporate governance, enterprise risk management and financial risk management. Mr. Conti brings his expertise in economics, business, and finance to the Board of Directors.

Luca Maurizio Duranti earned a degree in business administration with a major in corporate finance from Università Cattolica del Sacro Cuore in 1999. After graduation, Mr. Duranti joined PriceWaterhouseCoopers S.p.A. as an associate of the M&A advisory team in the corporate finance department and, in 2000, he joined First Gen-E Venture at Meliorbanca Private Equity Fund, initially serving as an investment manager, and then as a director beginning in 2003. In 2004, Mr. Duranti joined Intesa Sanpaolo's Corporate Department as head of corporate finance for SMES and, from 2007 to 2011, he worked for various financial firms with a focus on corporate finance. From 2011 to 2017, Mr. Duranti worked at NEM SGR (Banca Popolare di Vicenza Group) as managing director. He currently serves as CEO of Alkemia Capital SGR. Mr. Duranti brings his experience in finance and business administration to the Board of Directors.

Stefano Ferraresi earned a degree in business administration from University Luigi Bocconi in 1997. He joined the European high yield origination team at Barclays Capital in London in 1997 and in 2000 he joined Merril Lynch's the European leveraged finance division. In 2002 he joined BC Partners where he is currently responsible for sourcing, negotiating and monitoring portfolio company investments for the funds advised by BC Partners. He currently holds offices in various companies including chairmanship of the board of directors of Forno d'Asolo S.p.A., directorship of DentalPro S.p.A. and directorship of Cigierre S.p.A. Mr. Ferraresi brings his experience in financial markets and negotiation to the Board of Directors.

Paola Alessandra Paris earned a degree in economics and business administration from University Luigi Bocconi in 1991. Ms. Paris has been admitted to the Register of Accountants and Legal Auditors since 1992. Ms. Paris has taught several courses at the University Luigi Bocconi and is the professor of Accounting Financial Statement and Financial Statements Analysis courses. In 1993, Ms. Paris became technical consultant for the Milan Court and authorized liquidator for the bankruptcy department of the same Court. In addition to her professorship, Ms. Paris works as an accountant and legal auditor. Ms. Paris brings her experience in accounting and auditing to the Board of Directors.

Luca Poggi earned a degree in economics and business studies from Bologna University in 1984. Since 1986, Mr. Poggi has been admitted to the Register of Chartered Accountants and Tax Consultants and, since 1995, to the Register of Freelance Journalists. He is considered an expert on tax and corporate law and has long-standing collaborations with several specialized publications. Mr. Poggi currently holds the office of senior partner at Poggi & Associati, a firm of tax and financial consultants whose clients include leading industrial groups, including multinationals, specializing in corporate finance, taxation and M&A where he has been advising on the structuring of private equity transactions since 2003. Mr. Poggi brings his experience in corporate law and finance to the Board of Directors.

Christelle Rétif earned a master degree in corporate tax from the Université Paris Dauphine in 1996. Ms. Retif joined Arthur Andersen as a tax manager in 1996 and, in 2002, she joined Ernst & Young as a senior tax manager. In 2006, Ms. Rétif joined BC Partners where she is currently responsible for a portfolio of Luxembourg holding and financing platforms and is involved with the deal teams, service providers and portfolio companies. She currently holds offices in various companies including directorships in Aston FinCo S.à r.l., Stamina Investment S.à r.l., Amber II Acquisition S.à.r.l., GFL Borrower Luxembourg S.à r.l., Scooby Lux Investment S.à r.l., and Piave I Acquisition S.à r.l. Ms. Rétif brings her experience in corporate tax and portfolio company management to the Board of Directors.

Alessandra Schiavina earned a diploma in accounting and her studies were in technical and humanistic fields. She carries out entrepreneurial activities in companies of the Schiavina Group and currently holds offices in various companies belonging to the Group, including directorship in AMCA S.r.l. and C.Alla S.r.l. Ms. Schiavina brings her experience in entrepreneurship and management to the Board of Directors.

Maria Carla Schiavina earned a degree in economics and commerce from Bologna University in 1989. In 2007, she received the "Counsol of Economy Award" from the Bologna Chamber of Commerce. In 2013, she was appointed chairwoman of the ITS Bologna Foundation and became a member of the ITS Maker Council, positions she held until 2017. Ms. Schiavina carries out entrepreneurial activities in companies of the Schiavina Group and currently holds offices in various companies belonging to the Group (*i.e.*, the Company and Sofima) and serves as a director of MEFA S.r.l. Ms. Schiavina brings her experience in economics and management to the Board of Directors.

Alberto Vacchi, after earning a degree in law, became an entrepreneur. Since 1996, Mr. Vacchi has been appointed as managing director of the Company and, since 2007, he has been the chairman. On June 7, 2011, he was appointed President of Unindustria Bologna and served in such capacity from 2011 to 2015. He was also appointed President of Confindustria Emilia for the first two years after its founding in May 2017 and was appointed member of the board of UCIMA (Italian Packaging Machinery Manufacturers' Association) from June 2013 to June 2017. He currently holds offices in various companies within the Group (*i.e.*, directorship in B.C. S.r.l. and chairmanship in Corazza S.p.A. and Packaging Manufacturing Industry S.r.l.) in addition to serving as a director in SOFIMA and holding top executive positions in Alva S.p.A., Cuniola Società Agricola a r.l., Gavignano S.r.l., Nemo Investimenti S.r.l., 1997 Società semplice—Società Agricola and Steam School Soc. Cons. a r.l.Mr. Vacchi brings his experience in entrepreneurship and business administration to the Board of Directors.

See "*Principal Shareholders—Summary of General Corporate Governance Rules Applicable to the Company—Board of Directors*".

Committees

The Company's board of directors has established a Nomination and Remuneration Committee and an Audit, Risk and Transaction with Related Parties Committee.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is a committee of the Board of Directors entrusted with the tasks of providing proposals and opinions to the Board of Directors on both nominations and remuneration.

With regard to the nominations, *inter alia*, the committee formulates opinions concerning the dimension and composition of the Board of Directors, and delivers to the Board of Directors proposals of possible candidates for the office of Board member in the event the addition of an independent director to the Board of Directors is necessary or advisable.

With regard to the remuneration, the committee formulates proposals regarding the general remuneration policy to be adopted by the company and the specific remuneration of executive directors and of other directors holding strategic offices. The committee also periodically evaluates the adequacy, overall consistency and effective implementation of the general remuneration policy.

The current committee members are Paola Alessandra Paris (Chairman), Sonia Bonfiglioli (Deputy Chairman) and Luca Maurizio Duranti, all non-executive and independent directors.

Internal Control, Risk and Related-Party Transactions Committee

The Internal Control, Risk and Related-Party Transactions Committee is a committee of the Board of Directors entrusted with the tasks concerning internal controls and risks.

In particular, the Internal Control, Risk and Related-Party Transactions Committee, *inter alia*, evaluates periodic reports concerning the internal control and risk management system, monitors the autonomy, adequacy, effectiveness and effectivity of internal audit organization and delivers to the Board of Directors an opinion on specific aspects relating to the identification of the main corporate risks.

The committee is also evaluates the related-party transactions of the Company and expresses the relevant opinions under applicable laws and regulations.

The current committee members are Luca Maurizio Duranti (Chairman), Cesare Conti (Deputy Chairman) and Sonia Bonfiglioli, all non-executive and independent directors.

Senior Management

The following table sets forth the names, ages and titles of the members of the senior managers of the Company as of September 30, 2020:

Name	Age	Title
Alberto Vacchi	56	Chairman and CEO
Sergio Marzo	54	CFO
Giovanni Pecchioli	64	COO
Stefano Cautadella	71	Senior Advisor
Luca Poggi	59	Senior Advisor and director
Massimmo Marchesini	55	Supply Chain & Purchasing
Massimo Ferioli	59	HR & Organization

Set forth below is certain biographical information relating to the members of the Company's senior managers whose biographical information does not appear under "Board of Directors" above by virtue of their not serving as a member of the Board of Directors.

Sergio Marzo earned a degree in Economics and Business Administration from the Università di Bologna in 1990. In 2001, Mr. Marzo joined IMA as Investor Relations Manager. He was then appointed as Strategic Planning and Extraordinary Finance Manager, closing multiple acquisitions within Europe, Asia and United State. Since 2007, he has been IMA's Chief Financial Officer and has been appointed as Executive Director responsible for the drafting of IMA's accounting and corporate documents. Until June 2017, Mr. Marzo served as Executive Director of the Administration, Finance and Control area.

Giovanni Pecchioli earned a technical degree from the Istituto Tecnico Industriale A. Meucci in Florence. He is a manager of companies manufacturing automatic machinery for the pharmaceutical industry having more than 40 years of experience in the sector, including various offices in companies including Industrial Services Manager of Zanussi S.p.A., Neri S.p.A., Libra Pharmaceutical Technologies S.r.l., and the Company, where he started as vice-director of the pharmaceutical division in 1995 and holds the office of chief executive officer of the pharmaceutical business.

Stefano Cautadella earned a degree in biology. He is currently full professor of ecology at the University of Rome Tor Vergata and, during his career in academia, he has been involved in basic and applied research in biological problems related to aquatic food production (fisheries and aquaculture) from a bio-ecological, bio-economical and institutional point of view. He is Chairman of the GFCM-FAO (art.14, FAO Constitution), to which the countries of the Mediterranean and the Black Sea adhere and a consultant, among others, to EC, FAO, FAO Investment Centre, UNDP, a member of the CSA (Higher Council of Agriculture of the Italian Ministry of Agriculture, Food and Forestry), a member of the Scientific Committee (CTS) of MIUR (Ministry of Education, University and Research) and of the Biotechnology Committee of the Italian Ministry of the Environment. He has been a consultant to us for 15 years and currently serves as a member of our Strategy Committee.

Massimo Marchesini earned a technical degree from the Istituto Aldini Valeriani in Bologna. He joined the Company in 1985, holding various offices, including: head of the "hot machines lines" in the tea, coffee and beverage division in 1995, head of "hot and cold machines lines" in the tea, coffee and beverage division in 1996, manager of the tea production line in 1997, head of the tea division in 2000, and director of the purchase department in 2003. Since 2015 he holds the office of director of the Company's supply chain & purchasing, while being a member of certain of the Group's strategic committees and fulfilling other roles in the board of directors of various subsidiaries of the Group.

Massimo Ferioli earned a degree in informatics from the Bologna University. In 1986 he joined the company 3M as a system integrator of radiology systems in the healthcare sector, and in 1994 he joined the Credito Romagnolo—UniCredit Group, as head of technological architecture and management of distributed information systems. In 1998 he joined the Company as director of information systems, quality and standardization and, subsequently, as director of personnel and environment and safety. Since 2008 he holds the office of director of the HR & Organization of the Group, while being a member of certain of the Group's strategic committees and fulfilling other roles in the board of directors of various subsidiaries of the Group.

Pursuant to the terms of the Transactions Agreement, in case the Delisting of the Company occurs as a consequence of the Delisting Merger or the Company Merger, SOFIMA shall (i) use its best efforts to ensure that the directors of the Company resign from their respective office waiving any liabilities against the Company and (ii) vote the shareholders' meeting of the Company to vote in favor of the appointment of, *inter alia*, a new board of directors.

Compensation

The aggregate cash compensation of the members of the Board of Directors of the Company amounted to €9.2 million for the year ended December 31, 2019. The aggregate cash compensation of the members of the Board of Directors of the Company amounted to €6.2 million for the year ended December 31, 2018.

Management Incentive Plan

The remuneration policy of the Company, which was approved by the board of directors on March 12, 2020 and by the shareholders' meeting held on June 10, 2020, is composed of four parts:

(i) a fixed remuneration (the "**Fixed Remuneration**"), which is granted to all executive directors and key managers;

(ii) a "short term" variable remuneration (the "**Short Term Variable Remuneration**") granted to all key managers and executive directors;

(iii) a "medium to long term" variable remuneration (the "**Medium to Long Term Variable Remuneration**") granted to all key managers and executive directors; and

(iv) a severance indemnity (the "**Severance Indemnity**"), which is granted to all executive directors.

The Short Term Variable Remuneration is linked to the achievement of annual objectives set by the Company and measured according to parameters and weightings set forth in advance.

The Medium to Long Term Variable Remuneration is linked to the achievement of three-year objectives, with respect to the executive directors, and four-year objectives, with respect to key managers, set by the Company and measured according to parameters and weightings set forth in advance.

A claw-back clause is provided under the remuneration policies. Under the clause, the Company reserves the right to ask both the executive directors and the key managers to return the variable components of the remuneration paid or to withhold the deferred amounts, determined on the basis of information that later turned out to be manifestly incorrect.

The Severance Indemnity was approved at the shareholders' meeting on April 27, 2018. In case of termination of the employment agreements with key managers, reference shall be made to the applicable legislation and collective bargaining agreements.

Board of Statutory Auditors

Pursuant to applicable Italian law, the Company has appointed a board of statutory auditors (*Collegio Sindacale*) whose objective is to oversee the Company's compliance with applicable law and with its by-laws, monitor the implementation of best practices and assess the adequacy of the internal controls and accounting reporting systems at the Company, as well as the adequacy of the supply of information to its subsidiaries.

There are presently three standing statutory auditors and three alternate auditors on the board of statutory auditors for the Company. Members of the board of statutory auditors are appointed by the shareholders of the Company at ordinary shareholders' meetings for a three-year term expiring on the date of the ordinary shareholders' meeting called to approve the financial statements for the third financial year of their term.

All members of the board of statutory auditors were appointed at the shareholders' meeting held on April 30, 2019. At least one of the standing statutory auditors and one of the alternate auditors must be selected among legal auditors registered with the relevant special registry. Members of the board of statutory auditors may be removed only for a valid reason and with the approval of an Italian court.

The following table sets forth the names, ages and titles of the members of the board of statutory auditors of the Company. They will remain in office until approval by the shareholders of the financial statements for the year ended December 31, 2021.

Name	Age	Title
Francesco Schiavone Panni	66	Chairman
Roberta De Simone	56	Statutory Auditor
Riccardo Andriolo	45	Statutory Auditor
Chiara Molon	36	Alternate Auditor
Giovanna Bolognese	60	Alternate Auditor
Federico Ferracini	51	Alternate Auditor

Set forth below is certain biographical information relating to the members of the Company's Board of Statutory Auditors.

Francesco Schiavone Panni earned a degree in economics and commerce from LUISS Guido Carli in 1978. Since 1988, Mr. Panni has been admitted to the Register of Chartered Accountants and Tax Consultants and, since 1991, to the Register of Official Auditors. He is the founder of Studio Schiavone Panni Dottori Commercialisti, a management, tax and administrative consultancy firm. Mr. Panni is a member of the Commercial Criminal Law Commission of the Italian Institute of Chartered Accountants and Tax Consultants. He is or has been chairman of the board of statutory auditors of companies belonging to ENI S.p.A., BNL-BNP Paribas, EDF EN Sa., Condotte S.p.A., Fri-el Green Power, Edison S.p.A., Burgo S.p.A., and SACE S.p.A. groups; a member of the board of statutory auditors of the listed companies SNAM S.p.A. and Bonifiche Ferraresi S.p.A; and chairman of the supervisory boards of companies belonging to BNL BNP Paribas, EDF EN SA. and Greentech SA. Group. He has served in these capacities while holding various other offices, including the liquidator of asset management companies and closed-end property funds on the appointment of the Bank of Italy.

Roberta De Simone earned a degree in economics and commerce from Bologna University in 1988. Since 1989, she has been admitted to the Register of Chartered Accountants and Tax Consultants of Brescia. Since 1994, she has been admitted to the Register of Chartered Accountants and Tax Consultants of Forlì and since 1995 to the Register of Official Auditors. She is partner of the firm Studio Scala – Giondi Associazione Professionale and has been working as a chartered accountant, dealing with tax and corporate advisory services, as well as bankruptcy proceedings. She currently holds the office of statutory auditor in various companies, including: the Company, CEPI S.p.A., Transworld Packaging Holding S.p.A., Tecnoweb Converting S.r.l., Eurosicma—Costruzioni Macchine Automatiche S.p.A. and ATOP S.p.A.

Riccardo Andriolo earned a degree in business and finance from Insubria University, a master in international taxation at Centro Studi Bancari and a master in Islamic Finance at Insubria University. Since 2005 he has been admitted to the Register of Chartered Accountants and Tax Consultants of Como and since 2014 to the Register of Auditors and Technical Consultants of the Judge of the Court of Como. He was partner of the firm Studio Andriolo from 2005 to 2013 and since 2014 he is a senior partner at Athena Professionisti e Consulenti Associati of Milan. He currently holds the office of adjunct professor of "Modeling Financial Statement" at Libera Università di Bolzano and other offices, including: liquidator of Prisma SGR S.p.A. (by appointment of Bank of Italy), chairmanship of the steering committee (*comitato di sorveglianza*) of Tank SGR S.p.A. and statutory auditor of the Company, Clessidra SGR S.p.A. and further SME.

Chiara Molon earned a degree in business and economics from the Padua University. Since 2011 she has been admitted to the Register of Chartered Accountants of Milan and since 2013 she has been admitted to the Register of Statutory Auditors. Since 2011, she works with the accounting firm of Mr. Marco Rigotti and since 2015 she is a consultant at Studio Rai and Partners. She currently holds the office of statutory auditor in various companies, including: Capital for Progress Single Investment S.p.A., Leftloft S.p.A., Plastic to Liquid S.r.l. and doValue S.p.A.

Giovanna Bolognese earned a degree in business and economics from the Bologna University in 1985. She is registered with the Register of Chartered Accountants and Tax Consultants and with the Register of Auditors, as well as with the register of Independent Technical Consultants (*Consulente Tecnico d'Ufficio*) and with the Register of Over-Indebtedness-Crisys Managers. She has worked as a chartered accountant since 1987 and advises companies and legal entities on both tax and corporate issues while acting as bankruptcy receiver (*curatore fallimentare*) in several bankruptcy proceedings. She currently holds the office of statutory auditor in various companies located in the Emilia-Romagna region.

Federico Ferracini earned a degree in business and economics from the Bologna University. He is registered with the Register of Chartered Accountants and Tax Consultants and with the Register of Auditors. He advises on corporate and tax law and on mergers and acquisitions. He currently holds the office of chairman or serving auditor in the board of statutory auditors in companies belonging to several business sectors.

Pursuant to the terms of the Transactions Agreement, in case the Delisting of the Company occurs as a consequence of the Delisting Merger or the Company Merger, SOFIMA shall (i) use its best efforts to ensure that the statutory auditors of the Company resign from their respective office waiving any liabilities against the Company and (ii) vote the shareholders' meeting of the Company to vote in favor of the appointment of, *inter alia*, a new board of statutory auditors.

PRINCIPAL SHAREHOLDERS

Issuer

The share capital of the Issuer is entirely indirectly owned (through intermediate holding companies) by SOFIMA.

The following table sets forth the shareholders of SOFIMA upon consummation of the Transactions assuming 100% of the Outstanding Company Shares are acquired:

Shareholders	Shares	Share Capital %	Voting Rights %
CO.FI.M.A. S.p.A.(1)	801,208(2)	55.404%	51.0%
May S.p.A.(3)	637,639(4)	44.093%	49.0%
SEV Holding S.p.A.(5)	7,269(6)	0.503%	—
Total Shares	**1,446,116**	**100.0%**	**100.0%**

(1) CO.FI.MA S.p.A. means the holding company for the remaining shares owned by the Sellers:

(2) Class A ordinary shares of SOFIMA ("**Class A Shares**").

(3) May S.p.A. is joint-stock company (*società per azioni*) incorporated under the laws of Italy, controlled through intermediate companies, and ultimately by BC Partners.

(4) Class B shares of SOFIMA, having multiple voting rights (*voto plurimo*) pursuant to Article 2351, para. 4 of the Italian Civil Code ("**Class B Shares**"). The aggregate number of Class B Shares shall, regardless of the actual number thereof, be attributed to voting rights representing in aggregate 49% of the total voting rights at SOFIMA's shareholders' meeting. The Class B Shares will cease to carry multiple voting rights if (i) their aggregate number in issue falls below 7.5% of the aggregate share capital of SOFIMA, (ii) the Class A Shares represent less than 51% of the total voting share capital of SOFIMA, (iii) the Class B Shares represent more than 49% of the total voting share capital of SOFIMA or (iv) the Class B Shares are transferred by BC Partners to third parties, other than to certain entities affiliated to BC Partners or to SOFIMA or SOFIMA shareholders in connection with the discharge of certain indemnity payment obligations.

(5) SEV Holding S.p.A. is a joint-stock company (*società per azioni*) incorporated under the laws of Italy, whose shares are held by certain managers of the Company.

(6) Class C shares of SOFIMA, having no voting rights at SOFIMA's shareholders' meetings.

SOFIMA Shareholders' Agreement

In connection with the Transactions Agreement, on November 10, 2020, the Sellers, CO.FI.M.A. Compagnia Finanziaria Macchine Automatiche S.p.A., SOFIMA, BC Partners, SEV Holding S.p.A. and May S.p.A. entered into a shareholders' agreement, (the "**SOFIMA Shareholders' Agreement**"), which governs the corporate governance of SOFIMA, the Company and its subsidiaries. Within 20 Business Days following the completion of certain actions upon conclusion of the Offering, the Sellers will form a holding company comprising their interest in SOFIMA to assume the obligations under the SOFIMA Shareholders' Agreement.

The SOFIMA Shareholders' Agreement governs, *inter alia*, composition of the corporate bodies of SOFIMA, the Company, and their subsidiaries the provision of certain matters which may be approved only with the favorable vote of at least one director appointed by BC Partners and one director appointed by the Sellers, lock-up periods and transfer restrictions relating to the disposition by a party of any of SOFIMA's shares (any such disposition, an "**Exit Event**").

The SOFIMA Shareholders' Agreement is effective and binding until the earlier of: (i) November 10, 2023, if the Delisting does not occur; (ii) November 10, 2025, if the Delisting occurs; (iii) the date of any Exit Event, (iv) any other ad hoc term provided for each party of the SOFIMA Shareholders' Agreement.

Company

The following table sets forth the shareholders of the Company as of the date of this Offering Memorandum:

Shareholders	Shares	Share Capital %	Voting Rights %
IMA Bidco	28,803,999.0	66.657%	76.7%
Hydra S.p.A.	1,082,750.0	2.506%	3.1%
Other	13,325,760.0	30.837%	20.2%
Total Shares(1)	**43,212,509.0**	**100%**	**100%**

(1) The Company is listed on the *Mercato Telematico Azionario* managed by Borsa Italiana since 1995 and on the STAR segment since 2001, under trading symbol "BIT: IMA".

Dividends

In accordance with Italian law, the payment of annual dividends may be made out of the Company's distributable profits and reserves for each relevant financial year based on a proposal by the Board of Directors. Any such proposal is subject to approval by the shareholders at the annual ordinary shareholders' meeting, which must be convened for the approval of the Company's annual financial statements within 120 days or, subject to certain conditions provided under Italian law, within 180 days of the end of the financial year to which such financial statements relate. Before dividends may be paid out of unconsolidated net income in any financial year, an amount equal to 5% of such net income must be allocated to the legal reserve (*riserva legale*) of the Company until such reserve is at least equal to one fifth (1/5) of the par value of the issued share capital of the Company. If the Company's share capital is reduced as a result of accumulated losses, dividends may not be paid until the capital is reconstituted or reduced by the amount of such losses.

Summary of General Corporate Governance Rules Applicable to the Company

Shareholders' Meeting

Under Italian law, shareholders' meetings may be either ordinary or extraordinary. Meetings are normally held following a single call; however the Company's board of directors may decide that the shareholders' meeting be held following more than one call, if it deems so appropriate, and shall expressly mention this in the notice of call.

Resolutions adopted at a shareholders' meeting are binding on all shareholders, including dissenting or absent shareholders. However, pursuant to Italian law, absent, abstaining or dissenting shareholders, who hold, individually or jointly, shares with voting rights in relation to the resolution adopted, and who represent 0.1% of the share capital, have the right to ask the court where the Company's registered office is located to void resolutions taken in breach of applicable laws or the by-laws. All directors and statutory auditors are also entitled to challenge resolutions on the same grounds. Such challenges must be made within 90 days of the date of the resolution or, if the resolution is required to be registered in the Companies' Register, within 90 days of registration. In addition, if shareholders' resolutions are passed without any call of a meeting, without recording the minutes thereof or with respect to any illegal matter or with respect to which no resolution may be passed, such resolutions may be challenged by any interested party within three years from the date of the registration or filing of the resolution in the Companies' Register or, if the resolution is not subject to registration or filing with the Companies' Register, within three years from the registration of the minutes in the Company's corporate book. In addition, shareholders' resolutions which amend the corporate purpose to include impossible or illegal activities may be challenged without any time limit.

The following sub-sections set out a more detailed summary of the rules governing the Company's ordinary and extraordinary shareholders' meetings under the Company's by-laws and Italian law.

Ordinary shareholders' meetings

Ordinary shareholders' meetings must be convened at least once a year for the approval of the Company's annual financial statements. Article 14 of the Company's by-laws requires that an ordinary shareholders' meeting must be called within 120 days or, subject to certain conditions provided under

Italian law, within 180 days of the end of the Company's financial year. Matters requiring approval or removal of the ordinary shareholders' meeting include distribution of dividends (if any), appointment and removal of directors, statutory auditors and external auditors and decisions regarding their remuneration, directors and statutory auditors' liability, regulations for shareholders' meetings and other matters submitted to the vote of the shareholders under applicable laws.

The table below summarizes the constitutive and voting quorum of the ordinary shareholders' meetings under the Company's by-laws and Italian law:

Constitutive Quorum	Voting Quorum	Certain Key Matters
1. If single call: at least 50% (in person or by proxy) of the Company's share capital 2. If multiple calls: a. First call: at least 50% (in person or by proxy) of the Company's share capital b. Second (or subsequent) call: none	The favorable vote of the majority (50% plus one share) of the Company's voting share capital represented at the meeting (in person or by proxy)	– Approval of the financial statements – Distribution of dividends – Appointment, removal and remuneration of directors, statutory auditors and external auditors – Regulations for shareholders' meetings – Other matters pursuant to Italian law

Extraordinary shareholders' meetings

Extraordinary shareholders' meetings may be called to resolve upon, *inter alia*, proposed amendments to the by-laws (except for amendments required to align the by-laws to applicable laws and regulations, which may be approved by the Board of Directors pursuant to the current by-laws of the Company), mergers and demergers (except for certain intercompany mergers and demergers, which may be approved by the Board of Directors pursuant to the current by-laws of the Company), spin-offs, capital increases and reductions (except for reductions following the exercise of withdrawal rights by one or more shareholders, which may be approved by the Board of Directors), dissolution, appointment and replacement of liquidators.

The table below summarizes the constitutive and voting quorum of the extraordinary shareholders' meetings under the Company's by-laws and Italian law:

Constitutive Quorum	Voting Quorum	Certain Key Matters
1. If single call: more than 50% (in person or by proxy) of the Company's share capital 2. If multiple calls: a. First call: at least 50% (in person or by proxy) of the Company's share capital b. Second call: more than one-third (in person or by proxy) of the Company's share capital c. Subsequent call: at least 20% (in person or by proxy) of the Company's share capital	The favorable vote of not less than 2/3 (66.6% plus one share) of the Company's voting share capital represented at the meeting (in person or by proxy)	Amendments to the Company's by-laws (except for amendments required to align the by-laws to applicable laws and regulations) Mergers and demergers, spin-offs, capital increases and decreases Dissolution, appointment and replacement of liquidators

Special voting rights

Pursuant to Article 6 of the by-laws, each share of the Company is entitled to one vote in the ordinary and extraordinary shareholders' meetings.

However, shares may be entitled to two votes in the ordinary and extraordinary shareholders' meetings ("**Enhanced Voting Rights**"), provided that the following requirements are satisfied:

(i) such share has been held by an individual or entity, by means of right *in rem* attributing to the holder the right to vote (full ownership, bare ownership with voting right and usufruct with voting right), for an uninterrupted period of at least twenty-four (24) months, and

(ii) satisfaction of the requirement under point (i) is confirmed by (x) registration in the special shareholders' register (the "**Loyalty Share Register**") held by the Company and (y) by a communication from the intermediary acting as depositary of the shares, confirming that the individual or entity has held the shares for an uninterrupted period of at least twenty-four (24) months.

The Enhanced Voting Rights cease in the event of transfer of the relevant shares including, *inter alia*, in case of creation of a pledge, usufruct or other liens over the shares, to the extent any such transaction entails the loss of voting rights of the transferor. The Enhanced Voting rights do not cease in case the shares are transferred upon death of the shareholder or in case of donation in favor of statutory heirs or for the creation and/or the functioning of a trust or of a family trust or a foundation which the transferor or his/her statutory heirs benefit from, as the successors in title are entitled to request the registration with the same registration seniority of the individual legal predecessor.

Prior to the Transactions, SOFIMA held 22,295,194 ordinary shares with Enhanced Voting Rights (the "**Enhanced Voting Rights Shares**"), equal to approximately 51.594% of the outstanding share capital of the Company and entitling to 44,590,388 voting rights, equal to approximately 66.956% of the total voting rights in the shareholders' meetings of the Company.

However, prior to the Completion Date, SOFIMA agreed to contribute the Enhanced Voting Rights Shares to IMA Bidco. Following the contribution of the Enhanced Voting Rights Shares into IMA Bidco, the Enhanced Voting Rights may be forfeited, and the holder of the Enhanced Voting Rights Shares may be removed from the Loyalty Share Register. As a result, IMA Bidco would not be entitled to the Enhanced Voting Rights.

Board of Directors

Pursuant to Article 15 of the by-laws, the Company is managed by a Board of Directors composed of a minimum of 5 (five) members and a maximum of 15 (fifteen) members. Each director's term cannot be longer than three financial years, expiring on the date of the shareholders' meeting called to approve the financial statements for the last of the three financial years of appointment. Directors may be re-appointed and serve multiple terms. At the relevant ordinary shareholders' meeting, prior to the appointment of directors, the shareholders resolve upon the number of directors and the term of their office. According to Article 15 of the by-laws, the directors are appointed at the shareholders' meeting with reference to lists presented by the shareholders. The lists must expressly state which directors meet the requirements for being considered independent under applicable laws and regulations. Each candidate may only be present on one list or, otherwise, will be ineligible for election.

Lists may only be presented by shareholders who alone or together with other shareholders own at least 2.5% (two point five percent) of the Company's voting share capital, or such different threshold as is established by law or the regulations (including, in particular, the regulations approved by CONSOB; in this respect, pursuant to CONSOB Determination No. 28 of January 30, 2020 adopted pursuant to articles 144-quater and 144-septies of the Issuers' Regulations, with regard to the capitalization of the Company, the (lower) percentage of the share capital required to present lists of candidates to the Board of Directors of the Company is currently 1%). The Board of Directors will specify the ownership threshold required for the presentation of lists of candidates in the notice that calls the shareholders' meeting held to appoint the directors.

Each shareholder acting directly, or via an intermediary or a trust company, may contribute to the presentation of, just one list and may vote for just one list.

Lists containing a number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that a percentage equal to that required by the applicable Italian laws and regulations concerning gender balance for the composition of the Board of Directors belongs to the less represented gender. The lists, accompanied by the professional curricula of each nominated person and signed by the shareholders presenting them, must be filed at the Company's registered offices within the 25th day preceding the ordinary shareholders meeting called to appoint the directors. The shareholder submitting the list must also file with the Company a specific certification, issued by a legal authorized intermediary and evidencing the title to the minimum number of shares required for the submission of a list.

On the completion of voting, the candidates on the two lists that obtained the largest number of votes are elected, on condition that these obtain a percentage of votes at least equal to half of the percentage of capital required for the submission of lists, to be determined at the time of voting, on the following basis:

(a) the number of directors drawn from the list that obtains the largest number of votes (the "**Majority List**") is one less than the total number of members of the Board of Directors established previously by the shareholders' meeting; within this numeric limit, the candidates are elected in the numerical order in which they appear on the list; and

(b) one director, being the first candidate on the list, is drawn from the list obtaining the second largest number of votes that is not related in any way, directly or indirectly, with the shareholders who submitted or voted for the Majority List (the "**Minority List**"). In the event of a tie between two or more lists, the candidates are drawn using the highest averages method and, in case of a tie between two candidates, the candidate is drawn from the list from which less candidates have been appointed; where two or more lists have expressed the same number of candidates, the oldest candidate shall be eventually appointed.

If only one list is submitted, all the Directors will be elected from such list. If no list is submitted the ordinary shareholders' meeting will resolve by legal majority, without following the procedure summarized above.

All of the foregoing is subject to compliance with the applicable laws and regulations' provisions concerning the composition of the Board of Directors (including independence requirements and gender balance), as reflected in the by-laws of the Company from time to time.

Board of Statutory Auditors

Pursuant to Article 23 of the by-laws, the Board of Statutory Auditors comprises of three standing statutory auditors and three alternate auditors, who may be re-elected. Their duties and term in office are those established by current legislation.

Statutory auditors are appointed using the list-voting procedures described in the law and current regulations, to ensure the compliance with regulatory gender balance requirements in accordance with Article 148 paragraph 1-bis of Decree 58/1998 and to ensure that the minority shareholders can appoint one standing statutory auditor and one alternate auditor. The lists presented have two sections: one for the appointment of standing statutory auditors and the other for the appointment of alternate auditors. Lists having three or more candidates are required to have candidates of both genders, in accordance with applicable regulatory gender balance requirements. Candidates are listed in numerical sequence and the list must indicate whether each candidate is running as standing statutory auditor or alternate auditor.

Lists may only be presented by shareholders who alone or together with other shareholders own at least 2.5% (two point five percent) of the shares with voting rights, or such different threshold as is established under applicable law and regulations (including, in particular, the regulations approved by CONSOB; in this respect, pursuant to CONSOB Determination No. 28 of January 30, 2020 adopted pursuant to articles 144-quater and 144-septies of the Issuers' Regulations, with regard to the capitalization of the Company, the (lower) percentage of the share capital required to present lists of candidates to the Board of Directors of the Company is currently 1%). The Board of Directors will specify the ownership threshold required for the presentation of lists of candidates in the notice that calls the shareholders' meeting held to appoint the statutory auditors.

Each shareholder acting directly, or via an intermediary or a trust company, may contribute to the presentation of, just one list and may vote for just one list.

Two standing statutory auditors and two alternate auditors are drawn from the list that obtains the largest number of votes, while one standing statutory auditor and one alternate auditor is drawn from the list obtaining the second largest number of votes that is not related in any way, directly or indirectly, with the shareholders who submitted or voted for the majority list, in both cases in accordance with the numerical sequence indicated in the list. In the event of a voting tie involving two or more lists, pursuant to Article 23 of the by-laws, without prejudice to the laws and regulations in respect of gender balance requirements, the oldest candidates shall be appointed as auditors. Should the above procedure not ensure that the composition of the Board of Statutory Auditors is compliant with applicable gender balance requirements, the elected candidates of the majority list will be replaced so as to ensure compliance with gender balance requirements. The statutory auditor drawn from the minority list will be the Chairman.

If just one list is presented, all the candidates from such list will be elected. If no list is submitted, the ordinary shareholders' meeting will resolve by legal majority.

RELATED PARTY TRANSACTIONS

The Issuer is a holding company formed for the purpose of facilitating the Transactions and is not expected to engage in any activities other than those related to its formation and the Transactions. The Issuer's only material assets and liabilities are currently, and are expected in the future to be, its interest in the issued and outstanding shares of its subsidiaries and its outstanding indebtedness and inter-company balances incurred in connection with the Transactions (including approximately 66.82% ownership of Outstanding Company Shares) and the other transactions described in this Offering Memorandum. We do not present in this Offering Memorandum any financial information or financial statements of the Issuer, which was established on September 16, 2020, other than the Issuer Financial Statements. See "Capitalization". Following the Completion Date, the Issuer will undertake normal acquisition accounting procedures that may affect future financial information of the Group. Therefore, the following section relates to the Company, not the Issuer, other than as specified below.

General

In a meeting held on December 1, 2010, the Board of Directors of the Company adopted "*Procedure for related-party transactions*" (the "**RPT Procedure**") in accordance with Art. 2391-bis of the Italian Civil Code and CONSOB Regulation 17221 of March 12, 2010, as subsequently amended. On February 15, 2019, the Board of Directors of the Company reviewed the RPT Procedure and deemed it compliant with the applicable legal and regulatory framework.

The purpose of the RPT Procedure is to lay down the approach to be taken in identifying, reviewing and approving transactions to be carried out by the Company, or its subsidiaries, with related parties, in order to ensure that the transactions are transparent and fair, both from a substantial and procedural point of view.

To manage transactions with related parties, the Company attributed the task of issuing reasoned opinions regarding transactions with related parties, in the cases governed by the procedure, to the Audit, Risk and Related Parties Transactions Committee. See "*Management—Board of Directors—Committees—Audit, Risk and Transaction with Related Parties Committee*".

The Company and its subsidiaries has relationships with related parties, mainly people who have management or directorship positions in the Company, as well as entities controlled by such parties. Such transactions include commercial and real estate activities (such as leases of premises) which are carried out at an arm's length basis in the ordinary course of business, as well as participation in the consolidated tax mechanism.

Related Party Transactions

We carry out business with related parties. Such related party transactions mainly consist of commercial and property transactions (*e.g.*, leases of premises used by the Group companies), as well as to membership within the Group's the tax group. Primarily, these transactions are between Group companies. However, we may carry out business with other related parties, including persons who are responsible for administration and management within the Group or entities controlled by them.

In the years ended December 31, 2017, 2018, and 2019 and the nine month period ended September 30, 2020, there were no individual related party transactions that could have had a significant influence over our statement of financial position or results and no changes or developments in such transactions explained in such period could have had a significant influence over our statement of financial position or results. For more information on the details of our transactions with the related parties, see the Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following is a summary of the material terms of our principal additional indebtedness in addition to the Notes after giving effect to the Transactions.

Moreover, the following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements. Capitalized terms used in the following summaries and not otherwise defined in this Offering Memorandum have the meanings ascribed to them in their respective agreements.

Each of the financing arrangements described below under "—Existing Company Indebtedness", except where expressly noted, contain change of control provisions that, in conjunction with the Transactions, have been amended such that the change of control thereunder has been waived until the earlier of (i) a Delisting or (ii) May 31, 2021. As the Issuer indirectly owns more than two-thirds of the Outstanding Company Shares, the Issuer expects that the change of control clauses will be triggered either through the Delisting or the Delisting Merger. It is expected that all such financing arrangements will be refinanced with proceeds of the Notes and/or debt under the Senior Secured Bridge Facility Agreement.

Issuer Debt related to the Transactions

In connection with the Transactions, the Issuer arranged for certain committed financing, which is described below. This comprised:

(i) the Senior Secured Bridge Facility Agreement in order to financing for the Transactions, including the refinancing of the indebtedness described under *"—Existing Company Indebtedness"* and to facilitate cash confirmations for the MTO;

(ii) the Super Senior Revolving Credit Facilities Agreement in a committed amount of up to €150.0 million; and

(iii) the Guarantee Facilities Agreement in a committed amount of up to €250.0 million.

Each of these is described below.

Senior Secured Bridge Facility Agreement

On November 17, 2020, IMA Bidco, the Issuer and the direct parent of the Issuer entered into a senior secured bridge facility agreement (the "**Senior Secured Bridge Facility Agreement**") with J.P. Morgan Securities plc, BNP Paribas, Italian Branch, UniCredit S.p.A., Mediobanca—Banca di Credito Finanziario S.p.A., Morgan Stanley Bank International Limited, Crédit Agricole Corporate and Investment Bank, Milan Branch, Mizuho Bank, Ltd. and NatWest Markets N.V., as mandated lead arrangers (together the "**Mandated Lead Arrangers**"), the financial institutions named therein as original lenders, underwriters and issuing banks, UniCredit S.p.A. as fronting issuing bank and equity issuing bank, and J.P. Morgan AG as agent and Lucid Trustee Services Limited as security agent.

Use and Amount

The Issuer is permitted to apply the proceeds of the Senior Secured Bridge Facility Agreement for the purposes of, directly or indirectly:

(i) financing the consideration payable by IMA Bidco under the MTO Acquisition and/or any over-the-counter purchases of Outstanding Company Shares by IMA Bidco, as the case may be;

(ii) refinancing or otherwise discharging the existing Company debt and paying any related breakage costs, redemption premium, make-whole costs and other fees, costs and expenses payable in connection with the refinancing or discharge of the same,

and in each case, making payments related to the same, including transaction fees and expenses.

The Senior Secured Bridge Facility, under which a maximum amount of €1,250.0 million is available for drawdown, is split into a fixed rate tranche and a floating rate tranche. The tranches are also split in the amounts available for the purposes of (i) and (ii) above. The amounts available for drawdown vary depending on the percentage of the Outstanding Company Shares owned, directly or indirectly, by the Issuer.

Prior to the date of this Offering Memorandum, the Issuer has drawn approximately €450.0 million for the financing of over-the-market purchases of Outstanding Company Shares . Prior to the Issue Date, further amounts may be drawn under the Senior Secured Bridge Facility Agreement for further purchases of Outstanding Company Shares.

The Senior Secured Bridge Facility Agreement provides for the issuance of cash confirmations to be delivered in respect of the MTO or any sell-out or squeeze-out acquisition (as applicable).

Interest accrues on the outstanding amounts under the Senior Secured Bridge Facility Agreement at an interest rate which increases quarterly for the first twelve months.

Covenants and Representations

The Mandated Lead Arrangers under the Senior Secured Bridge Facility Agreement benefit from substantially the same covenants and representations as are provided under the Super Senior Revolving Credit Facilities Agreement.

Guarantees and Security

The Issuer and IMA Bidco shall both be original guarantors under the Senior Secured Bridge Facility Agreement. A mechanism is included in the Senior Secured Bridge Facility Agreement to enable certain subsidiaries to accede as a guarantor under the Senior Secured Bridge Facility Agreement subject to certain conditions. The Senior Secured Bridge Facility Agreement also requires that in the future, subject to agreed security principles, certain subsidiaries of the Issuer may need to accede to the Senior Secured Bridge Facility Agreement as a guarantor.

The Mandated Lead Arrangers under the Senior Secured Bridge Facility Agreement benefit from substantially the same security package as is provided under the Revolving Credit Facility.

Securities Demand

Each lender under the Senior Secured Bridge Facility Agreement may, from time to time on or after the Conversion Date (as defined in the Senior Secured Bridge Facility Agreement) (but on no more than one occasion in any month), elect if certain conditions, more fully described in the Senior Secured Bridge Facility Agreement, are met to exchange all or any portion of its loans thereunder (if any) then outstanding for one or more notes to be governed by an exchange note indenture.

Super Senior Revolving Credit Facilities Agreement

Overview and Structure

On November 17, 2020, the Issuer and IMA Bidco, each as a borrower and guarantor, entered into a super senior revolving credit facilities agreement (the "**Super Senior Revolving Credit Facilities Agreement**"), which provides for a super senior revolving credit facility in a principal amount of €150.0 million (the "**Super Senior Revolving Credit Facility**"). Subsequent to the signing date, the Company has acceded as a borrower to the Super Senior Revolving Credit Facilities Agreement.

The Super Senior Revolving Credit Facility may be utilized by the Issuer, IMA Bidco and certain restricted subsidiaries of the Issuer which accede to the Super Senior Revolving Credit Facilities Agreement as additional borrowers of that facility (the "**SSRCF Borrowers**") and may be applied in or towards directly or indirectly: (A) financing or refinancing the general corporate purposes and/or working capital requirements of the Group (including, without limitation, the financing or refinancing of capital expenditure, the Acquisition, any permitted acquisition, any acquisition costs, investments and joint ventures, operational restructurings and reorganization requirements of the Group, financing or refinancing financial indebtedness of the Group (including the refinancing or discharge of the existing indebtedness of certain members of the Company and its subsidiaries), or any acquisition target (including the refinancing or discharge of the existing indebtedness of certain members of the

Company and its subsidiaries) and paying any related breakage costs, redemption premium, make-whole costs and other fees, costs and expenses payable in connection with such refinancing or discharge, any required original issue discount fees or any additional original issue discount fees or funding any market flex or any ticking fees required to be paid in connection with and any interest accruing on indebtedness); and/or (B) any other purpose contemplated by a funds flow statement relating to the Transactions or a tax structure memorandum relating to the Transactions.

The Super Senior Revolving Credit Facility is available in euros, sterling, U.S. dollars and certain other currencies readily available in the relevant interbank market by the drawing of cash advances, the issue of letters of credit and (on a bilateral and fronted basis) ancillary facilities.

The Super Senior Revolving Credit Facilities Agreement includes (in addition to other permissions under the limitation on indebtedness covenant) the ability (without double counting against the limitation on indebtedness covenant) to incur additional indebtedness under one or more additional facilities within the Super Senior Revolving Credit Facilities Agreement up to an aggregate amount of: the greater of €150.0 million and 65.0% of LTM EBITDA (as defined in the Super Senior Revolving Credit Facilities Agreement and subject to certain customary additions including the amount of prepayments and buy-backs).

Availability

The Super Senior Revolving Credit Facility may be utilized from (and including) the SO.FI.MA Acquisition Closing Date to (and including) the date which is one month prior to the maturity date of the Super Senior Revolving Credit Facility, which is six and a half (6.5) years after the SO.FI.MA Acquisition Closing Date.

Interest and Fees

Loans under the Super Senior Revolving Credit Facility initially bear interest at rates per annum equal to EURIBOR, or for loans denominated other than in Euro, LIBOR, plus an applicable margin, which will be subject to a decreasing margin ratchet based on the ratio of consolidated senior secured net debt to consolidated Pro Forma EBITDA (the "**Consolidated Senior Secured Net Leverage Ratio**").

If EURIBOR is less than zero, EURIBOR shall be deemed to be zero in respect of loans made under the Super Senior Revolving Credit Facility. If LIBOR is less than zero, LIBOR shall be deemed to be zero in respect of loans made under the Super Senior Revolving Credit Facility.

A commitment fee is payable on the aggregate undrawn and uncancelled amount of the Super Senior Revolving Credit Facility from November 17, 2020 to the end of the availability period applicable to the Super Senior Revolving Credit Facility at a rate of 30.0% of the applicable margin for the Super Senior Revolving Credit Facility. Commitment fees are payable quarterly in arrears and on the date the Super Senior Revolving Credit Facility is cancelled in full or on the date on which the relevant lender cancels its commitment.

Default interest is calculated as an additional 1.0% on the defaulted amount.

Repayments

The loans made under the Super Senior Revolving Credit Facility will be repaid on the last day of the interest period relating thereto, subject to an ability to roll over cash drawings. All outstanding amounts under the Super Senior Revolving Credit Facility will be repaid on the date falling six and a half years from the SO.FI.MA Acquisition Closing Date. Amounts repaid by the borrowers on loans made under the Super Senior Revolving Credit Facility may be reborrowed, subject to certain conditions.

The Super Senior Revolving Credit Facilities Agreement allows for voluntary prepayments (subject to de minimis amounts). The Super Senior Revolving Credit Facilities Agreement also permits each lender to require the mandatory prepayment of all amounts due to that lender upon a "Change of Control" or the listing or the admission to trading of all or any part of the share capital of any member of the Group or any holding company (the only material assets of which are shares or other investments (directly or indirectly in the Group)) of a member of the Group (subject to certain exceptions) on any recognized investment exchange (as that term is used in the Financial Services and Markets Act 2000) or in or on any other exchange or market in any jurisdiction or country or any other sale or issue by way of listing, flotation or public offering or any equivalent circumstances in relation to any member of the Group or any such holding company of any member of the Group (subject to certain exceptions) in any jurisdiction or country.

Guarantees and Security

The Super Senior Revolving Credit Facility will be guaranteed, subject to the Agreed Security Principles (as defined in the Senior Revolving Credit Facilities Agreement), by the Guarantors.

The Super Senior Revolving Credit Facility will be secured by the same security interests as for the Notes as set forth under "*Description of the Notes—Security*".

Subject to certain adjustments and the agreed security principles that apply to the Super Senior Revolving Credit Facilities Agreement, the Issuer is required to ensure that members of the Group that generate at least 80.0% of EBITDA (as defined in the section titled "*Description of the Notes*") are guarantors of the Super Senior Revolving Credit Facilities Agreement (i) on the Initial Material Subsidiary Relevant Date (as defined in the Super Senior Revolving Credit Facilities Agreement, and subject to the agreed security principles) and (ii) thereafter on the date which is 150 days following the date when the annual financial statements of the Issuer are required to be delivered to the agent in connection with the Super Senior Revolving Credit Facilities Agreement (and, to the extent such requirement is not satisfied on such date, the Issuer shall ensure that it is so satisfied within 150 days of such date).

The provision and the terms of the security and guarantees set forth above will in all cases be subject to certain limitations and are at all times and in all cases subject to the requirements of applicable law and the other matters set forth in the Super Senior Revolving Credit Facilities Agreement.

Representations and Warranties

The Super Senior Revolving Credit Facilities Agreement contains certain representations and warranties (subject to certain agreed qualifications and with certain representations being repeated), including, among others, (i) status, binding obligations, non-conflict with other obligations, power and authority, validity and admissibility in evidence and pari passu ranking, (ii) no insolvency, taxation and no litigation, (iii) no default, financial statements, (iv) ownership, (v) center of main interests.

Certain representations and warranties were made on the Closing Date and will be repeated on the date of each utilization, on the first day of each interest period (other than in the case of roll over cash drawings) and at certain other times.

Covenants

The Super Senior Revolving Credit Facilities Agreement contains certain of the incurrence covenants and related definitions (with certain adjustments and exceptions) under the Indenture and the Notes.

The Super Senior Revolving Credit Facilities Agreement also contains a "note purchase condition" covenant. Subject to certain exceptions set out in the Super Senior Revolving Credit Facilities Agreement, the Issuer may not, and shall procure that no restricted subsidiary will, repay, prepay, purchase, defease, redeem or otherwise directly or indirectly acquire or retire the principal amount of any Notes (or, in each case, any replacement or refinancing thereof as permitted under the Super Senior Revolving Credit Facilities Agreement from time to time). The exceptions to such covenant include (among other things) payments that do not exceed 50.0% of the aggregate original principal face value amount of the Notes as at the Closing Date (the "**Notes Purchase Basket**") or to the extent the aggregate principal face value amount exceeds the Notes Purchase Basket an amount of the commitments under the Super Senior Revolving Credit Facility are cancelled or prepaid in the same proportion by which the Notes in excess of the Notes Purchase Basket are prepaid or redeemed or otherwise returned for value, until the commitments under the Super Senior Revolving Credit Facility are reduced to €75.0 million.

The Super Senior Revolving Credit Facilities Agreement also requires the Issuer and certain of its restricted subsidiaries to observe certain other customary positive and negative covenants, subject to certain exceptions and grace periods, including covenants relating to (i) authorizations; (ii) compliance with laws; (iii) center of main interests; (iv) provision of guarantees and security and further assurance; and (v) compliance with sanctions, anti-money laundering and anti-corruption laws.

In addition, the Super Senior Revolving Credit Facilities Agreement includes a financial covenant requiring the drawn super senior leverage ratio not to exceed a ratio to be set with 40.0% headroom versus the base case model for the Super Senior Revolving Credit Facility (the "**Drawn Super Senior Leverage Ratio**"). The Drawn Super Senior Leverage Ratio is calculated as the ratio of: (A) consolidated drawn loans under the Super Senior Revolving Credit Facility and (to the extent called by beneficiaries of bank guarantees and which have not been reimbursed by (or on behalf) of the relevant borrower to the relevant lender(s) at such test date), bank guarantees and; (B) other funded indebtedness that ranks pari passu with the drawn loans in respect of the distribution of recoveries pursuant to the Intercreditor Agreement, less the aggregate amount of cash, cash equivalents and temporary cash equivalents held by the Group (the "**Drawn Super Senior Facilities Debt**") to consolidated pro forma EBITDA for the twelve month period preceding the relevant quarterly testing date and is tested quarterly on a rolling basis, subject to the Super Senior Revolving Credit Facility being (excluding any utilizations (x) by way of letters of credit (or bank guarantees) or ancillary facilities; or (y)(i) on the first utilization date, (ii) to fund any original issue discount, flex-related payments or other similar or related payments, (iii) to fund the payment of any fees, costs and expenses or (iv) to fund any permitted acquisition, capital expenditure, joint-venture or other investment *provided that* the aggregate amount of utilizations which may be taken into account pursuant to paragraphs (y)(i), (y)(iii) and (y)(iv) above shall not exceed €15.0 million, net of Cash and Cash equivalent investments of the Group more than 40.0% drawn on the relevant test date (the "**Test Condition**")). The Drawn Super Senior Leverage Ratio only acts as a draw stop to new drawings under the Super Senior Revolving Credit Facility and, if breached, will not trigger a default or an event of default under the Revolving Credit Facility Agreement.

The Drawn Super Senior Leverage Ratio is based on the definitions and adjustments in the Super Senior Revolving Credit Facilities Agreement, which may differ from similar definitions in the Indenture and the equivalent definitions described in this Offering Memorandum.

The Super Senior Revolving Credit Facilities Agreement contains an equity cure provision enabling the shareholders of the Issuer to make shareholder injections by way of debt and/or equity to the Issuer to (i) increase the consolidated pro forma EBITDA under the Super Senior Revolving Credit Facilities Agreement, (ii) decrease Drawn Super Senior Facilities Debt, or (iii) prepay the Super Senior Revolving Credit Facility so that the Test Condition is no longer satisfied. The equity cure rights pursuant to (i) and (ii) above may not be exercised on more than five occasions during the term of the Super Senior Revolving Credit Facility and may not be exercised more than twice in any consecutive four quarter periods. EBITDA cures or net debt cures may not be taken into account for other permissions/usages under the Finance Documents.

Events of Default

The Super Senior Revolving Credit Facilities Agreement provides for substantially the same events of default as under the Notes. In addition, the Super Senior Revolving Credit Facilities Agreement provides for additional events of default, subject to customary materiality qualifications and grace periods, including (i) inaccuracy of a representation or statement when made, (ii) invalidity and unlawfulness of the Super Senior Revolving Credit Facility financing documents and (iii) material failure to comply with the Intercreditor Agreement, and (iv) repudiation or rescission of the Super Senior Revolving Credit Facility financing documents.

Governing Law

The Super Senior Revolving Credit Facilities Agreement and any non-contractual obligations arising out of or in connection with it, are governed by, construed in accordance with and will be enforced in accordance with English law although the information undertakings, restrictive covenants, events of default and related definitions scheduled to the Super Senior Revolving Credit Facilities Agreement will be interpreted in accordance with New York law (without prejudice to the fact that the Super Senior Revolving Credit Facilities Agreement is governed by English law).

Guarantee Facilities Agreement

Overview and Structure

On November 17, 2020, the Issuer entered into a super senior guarantee facilities agreement (the "**Guarantee Facilities Agreement**"), which provides for a super senior guarantee facility in a principal amount of €250.0 million (the "**Guarantee Facility**"). As of December 6, 2020, the Company had utilized approximately €78.6 million of bank guarantees under the Guarantee Facility.

The Guarantee Facility may be utilized by I.M.A. Industria Macchine Automatiche S.p.A. (the "**Company**"), which has since acceded as a borrower, and each bank guarantee requested under the Guarantee Facility must be issued: (A) in respect of projects, transactions or other contractual obligations entered into in the ordinary course of business of the Group (where, for the avoidance of doubt, any such instruments may be drawn under the Facility directly in favor of beneficiaries or indirectly in favor of beneficiaries (by way of "back-to-back" or equivalent arrangements)), provided that each such bank guarantee covers liabilities in relation to advance payments, performance of contracts, leases, warranties, sureties, bidding processes or other obligations in ordinary course of business; and/or (B) refinancing and/or replacing any existing bank guarantee entered into by the Group.

The Guarantee Facility is available in Euros, Pound Sterling, U.S. dollars, CHF, CNY, PLN, INR, ILS and certain other currencies readily available in the relevant interbank market by the issue of guarantees on a bilateral and/or fronted basis.

The Guarantee Facilities Agreement includes (in addition to other permissions under the limitation on indebtedness covenant) the ability (without double counting against the limitation on indebtedness covenant) to incur additional indebtedness under one or more additional facilities within the Guarantee Facilities Agreement up to an aggregate amount equal to the greater of €250.0 million and 85.0% of LTM EBITDA (as defined in the Guarantee Facilities Agreement and subject to certain customary additions including the amount of prepayments and buy-backs).

Availability

The Guarantee Facility may be utilized from (and including) the SO.FI.MA Acquisition Closing Date to (and including) the date which is one month prior to the maturity date of the Guarantee Facility, which is 3 years after the SO.FI.MA Acquisition Closing Date.

Interest and Fees

A commitment fee is payable on the aggregate undrawn and uncancelled amount of the Guarantee Facility from November 17, 2020 to the end of the availability period applicable to the Guarantee Facility at a rate of 30.0% of the applicable margin for the Guarantee Facility. Commitment fees are payable quarterly in arrears and on the date the Guarantee Facility is cancelled in full or on the date on which the relevant lender cancels its commitment. Guarantee fees are payable in respect of bank guarantees at a rate equal to the applicable margin, which will be subject to a decreasing margin ratchet based on the ratio of consolidated senior secured net debt to consolidated Pro Forma EBITDA.

Default interest is calculated as an additional 1.0% on the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted an outstanding Bank Guarantee in the currency of the overdue amount plus EURIBOR for Unpaid Sums in euro and LIBOR for all other Unpaid Sums for successive Interest Periods, each of a duration selected by the Agent (acting reasonably).

Prepayments

The Guarantee Facilities Agreement allows for voluntary prepayments (subject to de minimis amounts). The Guarantee Facilities Agreement also permits each lender to require the mandatory prepayment of all amounts due to that lender upon a "Change of Control" or the listing or the admission to trading of all or any part of the share capital of any member of the Group or any holding company (the only material assets of which are shares or other investments (directly or indirectly in the Group)) of a member of the Group (subject to certain exceptions) on any recognized investment exchange (as that term is used in the Financial Services and Markets Act 2000) or in or on any other exchange or market in any jurisdiction or country or any other sale or issue by way of listing, flotation or public offering or any equivalent circumstances in relation to any member of the Group or any such holding company of any member of the Group (subject to certain exceptions) in any jurisdiction or country.

Guarantees and Security

The Guarantee Facility will be guaranteed, subject to the Agreed Security Principles (as defined in the Senior Guarantee Facilities Agreement), by the Guarantors.

The Guarantee Facility will be secured by the same security interests as for the Notes.

Subject to certain adjustments and the agreed security principles that apply to the Guarantee Facilities Agreement, the Issuer is required to ensure that members of the Group that generate at least 80.0% of EBITDA (as defined in the section titled "*Description of the Notes*") are guarantors of the Guarantee Facilities Agreement (i) on the Initial Material Subsidiary Relevant Date (as defined in the Guarantee Facilities Agreement, and subject to the agreed security principles) and (ii) thereafter on the date which is 150 days following the date when the annual financial statements of the Issuer are required to be delivered to the agent in connection with the Guarantee Facilities Agreement (and, to the extent such requirement is not satisfied on such date, the Issuer shall ensure that it is so satisfied within 150 days of such date).

The provision and the terms of the security and guarantees set forth above will in all cases be subject to certain limitations and are at all times and in all cases subject to the requirements of applicable law and the other matters set forth in the Guarantee Facilities Agreement.

Representations and Warranties

The Guarantee Facilities Agreement contains certain representations and warranties (subject to certain agreed qualifications and with certain representations being repeated), including, among others, (i) status, binding obligations, non-conflict with other obligations, power and authority, validity and admissibility in evidence and pari passu ranking, (ii) no insolvency, taxation and no litigation, (iii) no default, financial statements, (iv) ownership, (v) center of main interests.

Certain representations and warranties were made on the Closing Date and will be repeated on the date of each utilization and at certain other times.

Covenants

The Guarantee Facilities Agreement contains certain of the incurrence covenants and related definitions (with certain adjustments and exceptions) under the Indenture and the Notes.

The Guarantee Facilities Agreement also contains a "note purchase condition" covenant. Subject to certain exceptions set out in the Guarantee Facilities Agreement, the Issuer may not, and shall procure that no restricted subsidiary will, repay, prepay, purchase, defease, redeem or otherwise directly or indirectly acquire or retire the principal amount of any Notes (or, in each case, any replacement or refinancing thereof as permitted under the Guarantee Facilities Agreement from time to time). The exceptions to such covenant include (among other things) payments that do not exceed 50.0% of the aggregate original principal face value amount of the Notes as at the Closing Date (the "**Notes Purchase Basket**") or to the extent the aggregate principal face value amount exceeds the Notes Purchase Basket an amount of the commitments under the Guarantee Facility are cancelled or prepaid in the same proportion by which the Notes in excess of the Notes Purchase Basket are prepaid or redeemed or otherwise returned for value, until the commitments under the Guarantee Facility are reduced to €100.0 million.

The Guarantee Facilities Agreement also requires the Issuer and certain of its restricted subsidiaries to observe certain other customary positive and negative covenants, subject to certain exceptions and grace periods, including covenants relating to (i) authorizations; (ii) compliance with laws; (iii) center of main interests; (iv) provision of guarantees and security and further assurance; and (v) compliance with sanctions, anti-money laundering and anti-corruption laws.

In addition, the Guarantee Facilities Agreement includes a financial covenant requiring the drawn super senior leverage ratio not to exceed a ratio to be set with 40.0% headroom versus the base case model for the Guarantee Facility (the "**Drawn Super Senior Leverage Ratio**"). The Drawn Super Senior Leverage Ratio is calculated as the ratio of: (A) outstanding utilizations under the Guarantee Facility which have been called by the beneficiaries of bank guarantees and have not been reimbursed by (or on behalf) of the borrowers to the lender(s) as at such test date and; (B) other funded indebtedness that ranks pari passu with the utilizations in respect of the distribution of recoveries pursuant to the Intercreditor Agreement, less the aggregate amount of cash, cash equivalents and temporary cash equivalents held by the Group (the "**Drawn Super Senior Facilities Debt**") to consolidated pro forma EBITDA for the twelve month period preceding the relevant quarterly testing date and is tested quarterly on a rolling basis, subject to the Guarantee Facility being (excluding any utilizations (x) by way of Bank Guarantee; or (y)(i) on the first utilization date, (ii) to fund any original issue discount, flex-related payments or other similar or related payments, (iii) to fund the payment of any fees, costs and expenses or (iv) to fund any permitted acquisition, capital expenditure, joint-venture or other investment *provided that* the aggregate amount of utilizations which may be taken into account pursuant to paragraphs (y)(i), (y)(iii) and (y)(iv) above shall not exceed €15.0 million, net of Cash and Cash equivalent investments of the Group more than 40.0% drawn on the relevant test date (the "**Test Condition**")). The Drawn Super Senior Leverage Ratio only acts as a draw stop to new drawings under the Guarantee Credit Facility and, if breached, will not trigger a default or an event of default under the Guarantee Facility Agreement.

The Drawn Super Senior Leverage Ratio is based on the definitions and adjustments in the Guarantee Facilities Agreement, which may differ from similar definitions in the Indenture and the equivalent definitions described in this Offering Memorandum.

The Guarantee Facilities Agreement contains an equity cure provision enabling the shareholders of the Issuer to make shareholder injections by way of debt and/or equity to the Issuer to (i) increase the consolidated pro forma EBITDA under the Guarantee Facilities Agreement, (ii) decrease Drawn Super Senior Facilities Debt, or (iii) prepay the Guarantee Facility so that the Test Condition is no longer satisfied. The equity cure rights pursuant to (i) and (ii) above may not be exercised on more than five occasions during the term of the Guarantee Facility and may not be exercised more than twice in any consecutive four quarter periods. EBITDA cures or net debt cures may not be taken into account for other permissions/usages under the Finance Documents.

Events of Default

The Guarantee Facilities Agreement provides for substantially the same events of default as under the Notes. In addition, the Guarantee Facilities Agreement provides for additional events of default, subject to customary materiality qualifications and grace periods, including (i) inaccuracy of a representation or statement when made, (ii) invalidity and unlawfulness of the Guarantee Facility financing documents and (iii) material failure to comply with the Intercreditor Agreement, and (iv) repudiation or rescission of the Guarantee Facility financing documents.

Governing Law

The Guarantee Facilities Agreement and any non-contractual obligations arising out of or in connection with it, are governed by, construed in accordance with and will be enforced in accordance with English law although the information undertakings, restrictive covenants, events of default and related definitions scheduled to the Guarantee Facilities Agreement will be interpreted in accordance with New York law (without prejudice to the fact that the Guarantee Facilities Agreement is governed by English law).

Intercreditor Agreement

General

To establish the relative rights of certain of our creditors under our financing arrangements, the Issuer and the Guarantors entered into an Intercreditor Agreement dated November 17, 2020 between, among others, the agent, arrangers and lenders under the Super Senior Revolving Facilities Agreement, the Guarantee Facilities Agreement and the Bridge Facilities Agreement, and the Security Agent. The Trustee will accede to the Intercreditor Agreement on or about the Issue Date, as Senior Secured Notes Trustee (as defined in the Intercreditor Agreement).

By accepting a Note, holders of the Notes will be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement.

The Intercreditor Agreement is governed by English law and sets out various matters governing the relationship of the creditors to our group including the relative ranking of certain debt of the Issuer, the Guarantors and any other person that becomes party to the Intercreditor Agreement as a Debtor or Third Party Security Provider, when payments can be made in respect of debt of the Debtors or Third Party Security Providers, when enforcement action can be taken in respect of that debt, the terms pursuant to which certain of that debt will be subordinated upon the occurrence of certain insolvency events and turnover provisions and provisions related to the enforcement of shared security.

The following description is a summary of certain provisions contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety and we urge you to read that document because it, and not the discussion that follows, defines certain rights of the holders of the Notes and of the Trustee. Capitalized terms used but not defined herein have the meanings given to them in the Intercreditor Agreement.

For the purposes of this description:

"*Senior Secured Group*" shall mean the Issuer and any of its Restricted Subsidiaries from time to time.

References to the "*Senior Secured Notes*" shall include the Notes and any other notes, securities or other debt instruments issued or to be issued by or in relation to which a New Debt Financing has been made available to or by a member of the Senior Secured Group which are designated by the Issuer as Senior Secured Notes under the Intercreditor Agreement and references to the "Topco Notes" shall include any notes, securities or other debt instruments issued or to be issued by or in relation to which a New Debt Financing has been made available to or by a Topco Borrower which are designated by the Issuer as Topco Notes.

The Intercreditor Agreement uses the term "the Company" to refer to the Issuer and "Senior Secured Notes Liabilities" to refer to the Notes and certain other indebtedness of the Issuer.

Ranking and Priority

Priority of Debts

The Intercreditor Agreement provides that the liabilities owed by the Senior Secured Group and each other debtor under the Intercreditor Agreement (together, the "**Debtors**") (other than Topco and any member of the Senior Secured Group which is designated as a Topco Borrower under the Intercreditor Agreement (a "**Topco Borrower**")) shall rank in right of priority and payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

(i) first, liabilities owed to (i) the lenders, issuing banks and ancillary lenders in relation to any senior secured facilities agreements (a "**Permitted Senior Secured Facilities Agreement**") (the "**Senior Lender Liabilities**"), (ii) the lenders, issuing banks, and ancillary lenders in relation to each of the Super Senior Revolving Credit Facilities Agreement and the Guarantee Facilities Agreement (together, the "**Super Senior Facilities Agreements**") or any future super senior facilities agreement (a "**Permitted Super Senior Secured Facilities Agreement**") and any hedge counterparty under a hedging agreement that is designated by the Issuer as super senior (together the "**Super Senior Liabilities**" and creditors thereof being the "**Super Senior Creditors**"), (iii) the Trustee and any trustee in relation to future senior secured notes (each a

"**Senior Secured Notes Trustee**") (other than certain amounts paid to it in its capacity as trustee), the holders of the Notes or future senior secured notes (the "**Senior Secured Notes**") and the Security Agent in relation to the Senior Secured Notes (the "**Senior Secured Notes Liabilities**"), (iv) the lender under any future loan made by the issuer of any Senior Secured Notes (if so designated by the Issuer in its discretion and not including, for the avoidance of doubt, the Issuer) to a member of the Group for the purposes of on lending the proceeds of any Notes together with any additional or replacement loan made on substantially the same terms (a "**Senior Secured Notes Proceeds Loan**" and the liabilities to the lenders under a Senior Secured Notes Proceeds Loan being the "**Senior Secured Notes Proceeds Loan Liabilities**"), (v) the arrangers, agents, issuing banks and lenders under any cash management facility (a "**Cash Management Facility**" and the liabilities under a Cash Management Facility being the "**Cash Management Facility Liabilities**"), (vi) the hedge counterparties in relation to any hedging agreements that are not Super Senior Liabilities (together with the hedging designated by the Issuer as being Super Senior Liabilities, the "**Hedging Liabilities**"), (vii) the lenders in relation to any future second lien facility agreement (a "**Second Lien Facility Agreement**" and the liabilities to the lenders under a Second Lien Facility Agreement being the "**Second Lien Lender Liabilities**" and creditors thereof being the "**Second Lien Lenders**"), (viii) any second lien notes trustee (other than certain amounts paid to it in its capacity as trustee), the holders of any future second lien notes and (being the "**Second Lien Noteholders**" and, together, with the Second Lien Lenders, the "**Second Lien Creditors**") and the Security Agent in relation to any second lien notes (such second lien notes being "**Second Lien Notes**" and the liabilities in respect of such Second Lien Notes being the "**Second Lien Notes Liabilities**" and together with the Second Lien Lender Liabilities, the "**Second Lien Liabilities**") (and, in each case, together with the applicable present and future liabilities and obligations (whether actual and contingent and whether incurred solely or jointly) of any Debtor and Third Party Security Provider to any arranger under the Debt Documents in respect thereof), (ix) any agent or trustee under any finance documents relating to any of the aforementioned liabilities, any agent or trustee under the Topco Liabilities (as defined below) and to any agent or trustee in relation to certain other unsecured liabilities (together the "**Agent Liabilities**") and (x) the Security Agent, *pari passu* and without any preference between them; and

(ii) second, all liabilities owed (i) to the trustee (other than certain amounts paid to it in its capacity as trustee), and the holders of any future notes issued by or in relation to which a New Debt Financing has been made available to or by a Topco Borrower and designated by the Issuer as Topco Notes and the Security Agent in relation to such Topco Notes (the "**Topco Notes Liabilities**"), (ii) to any creditors under any future loan facility made available to any Topco Borrower (the "**Topco Facility Liabilities**" and together with the Topco Notes Liabilities, the "**Topco Liabilities**") (and, in each case, together with the applicable present and future liabilities and obligations (whether actual and contingent and whether incurred solely or jointly) of any Debtor and Third Party Security Provider to any arranger under the Debt Documents in respect thereof), and (iii) the liabilities owed under any future loan (a "**Topco Proceeds Loan**") made by any Topco Borrower for the purpose of on lending the proceeds of any Topco Notes or Topco Loans (the "**Topco Proceeds Loan Liabilities**"), *pari passu* and without any preference between them.

Priority of Security

The Intercreditor Agreement provides that the Transaction Security shall rank and secure the Secured Obligations in the following order:

(i) first, the Senior Lender Liabilities, the Super Senior Lender Liabilities, the Senior Secured Notes Liabilities, the Cash Management Facility Liabilities and the Hedging Liabilities (and, in each case, the Agent Liabilities and Arranger Liabilities in respect thereof) *pari passu* and without any preference between them;

(ii) second, the Second Lien Lender Liabilities and the Second Lien Notes Liabilities *pari passu* and without any preference between them; and

(iii) third (to the extent of the Topco Shared Security), the Topco Liabilities pari passu and without any preference between them.

The Intercreditor Agreement provides that the liabilities owed by any Topco Borrower to the Secured Parties (as defined below) shall rank *pari passu* in right and priority of payment and without any preference between them in respect of the (i) Senior Lender Liabilities, (ii) Super Senior Liabilities, (iii) Senior Secured Notes Liabilities, (iv) Cash Management Facility Liabilities, (v) Hedging Liabilities, (vi) Second Lien Lender Liabilities, (vii) Second Lien Notes Liabilities, (viii) Topco Liabilities, (ix) Topco Proceeds Loan Liabilities, (x) Agent Liabilities, and (xi) any arranger in connection with the aforementioned liabilities.

The Intercreditor Agreement provides that the security created by the TopCo Independent Transaction Security shall rank and secure the applicable Topco Independent Secured Obligations *pari passu* and without any preference (but only to the extent the Topco Independent Transaction Security is expressed to secure those liabilities) subject to the order of application described in the section below titled "*—Application of Proceeds—Order of Application—Topco Independent Transaction Security*" and without prejudice to the equalization provisions of the Intercreditor Agreement.

The Intercreditor Agreement provides that the intra-group liabilities owed by one member of the Senior Secured Group to another member of the Senior Secured Group (other than any Senior Secured Notes Proceeds Loan Liabilities or Topco Proceeds Loan Liabilities) (the "**Intra-Group Liabilities**") will be subordinated to the liabilities owed by the Debtors and Third Party Security Providers to the creditors under the Senior Lender Liabilities, Super Senior Liabilities, Senior Secured Notes Liabilities, Cash Management Facility Liabilities, Hedging Liabilities, Second Lien Lender Liabilities and Second Lien Notes Liabilities, Agent Liabilities and Notes Liabilities (such creditors, together with the Security Agent, any receiver or delegate, any creditor of the Agent Liabilities and any arranger with respect to the Secured Liabilities, the "**Secured Parties**").

The Intercreditor Agreement also provides that the liabilities owed by any member of the Senior Secured Group (other than any Topco Proceeds Loan Liabilities) to a holding company of the Issuer or to any other person who becomes a subordinated creditor (a "**Subordinated Creditor**") under the Intercreditor Agreement (the "**Subordinated Liabilities**") will be subordinated to the liabilities owed by the Debtors and Third Party Security Providers to the Secured Parties and to the Intra-Group Liabilities.

For the purposes of this description only:

"**Debt Documents**" means the Intercreditor Agreement and the documents creating or evidencing the Cash Management Facility Liabilities, the Hedging Liabilities, the Second Lien Liabilities, the Senior Secured Liabilities, any Senior Secured Notes Proceeds Loan Liabilities, the Topco Liabilities, the Topco Proceeds Loan Liabilities, the unsecured liabilities of any unsecured creditors who are party to the Intercreditor Agreement, the Subordinated Liabilities and the Intra-Group Liabilities (each as defined in this description), any document creating security in respect of the Secured Liabilities and any other document designated as such by the Security Agent and the Issuer.

"**Finance Documents**" means the Super Senior Revolving Facilities Agreement, the Guarantee Facilities Agreement, any Permitted Senior Secured Facilities Agreement, any Permitted Super Senior Secured Facilities Agreement, the indenture in respect of any Senior Secured Notes, any Second Lien Facility Agreement, the indenture in respect of any Second Lien Notes, the facility agreement or other document or instrument documenting any Topco Facility, the indenture in respect of any Topco Notes and any document designated by the Issuer as an unsecured finance document under and in accordance with the Intercreditor Agreement.

"**Secured Creditors**" means the Super Senior Creditors, the Senior Secured Creditors, the Second Lien Creditors and the Topco Creditors (each as defined below).

"**Secured Debt Documents**" means the documents relating to the Super Senior Liabilities, the Senior Secured Liabilities, the Second Lien Liabilities, the Topco Liabilities and the Hedging Liabilities and any other document designated as such by the Security Agent and the Issuer.

"**Third Party Security Provider**" means Topco and any person that has provided Transaction Security (including Topco Shared Security) but is not a Debtor in respect of any direct borrowing or guarantee liabilities of the applicable secured obligations to which that Transaction Security relates and which is designated by the Issuer (in its discretion).

"**Topco Independent Transaction Security**" refers to security (other than Transaction Security) which is created, or expressed to be created, by Topco, any Topco Borrower or any member of the Topco Group that directly holds shares in a Topco Borrower or any such person that is not a member of the Senior Secured Group and designated as such by the Issuer (in its discretion) (together, the "Topco Independent Obligors") in favor of the Security Agent as agent or trustee (or as *mandatario con rappresentanza* or representative for the security pursuant to Article 2414-bis of the Italian Civil Code, as the case may be) for the other Topco Secured Parties (or if such trustee arrangements are not legally possible, in favor of all the Topco Secured Parties or in favor of the Security Agent under a parallel debt or similar structure) and any such security granted by a member of the Senior Secured Group shall be limited to the shares and/or intercompany loans and other receivables owed to such member of the Senior Secured Group and shall be provided on a limited recourse basis. Topco Independent Transaction Security shall secure all liabilities and present and future obligations of each Topco Independent Obligor to the Topco Secured Parties under the Topco Finance Documents.

The Notes and the Notes Guarantees will be Senior Secured Notes Liabilities for the purposes of the Intercreditor Agreement. On the Issue Date, €150.0 million of the Super Senior Revolving Facilities Agreement and €250.0 million of the Guarantee Facilities Agreement, each constituting Senior Secured Liabilities, will be existing under the Intercreditor Agreement, but no other Senior Secured Liabilities, Second Lien Lender Liabilities, Second Lien Notes Liabilities or Topco Liabilities will be outstanding. Such liabilities and liabilities in respect of other new debt financings may only be incurred and/or designated if not prohibited under the terms of the Debt Documents, including, without limitation, the covenants applicable to the Notes described under "*Description of the Notes—Certain Covenants*."

"**Topco Shared Security**" refers to security at any time which is created, or expressed to be created, over each of (i) the shares in the Issuer held by any direct shareholder of the Issuer, (ii) all receivables owed by the Issuer to a Topco Investor, Subordinated Creditor or other Holding Company or shareholder of the Issuer (including any Topco Proceeds Loan and the Topco Proceeds Loan Liabilities), (iii) the shares in any Topco Borrower which is a member of the Senior Secured Group, (iv) all receivables owed by a member of the Senior Secured Group under any Topco Proceeds Loan (or, in the case of a Topco Borrower which is a member of the Senior Secured Group, any Senior Secured Notes Proceeds Loan), (v) any escrow account relating to the proceeds of any Topco Liabilities and (vi), any other assets not falling within limbs (i), (ii), (iii), (iv) and (v) of this paragraph of a Topco Borrower, and (to the extent that the Issuer has confirmed to the Security Agent that the granting of such Security in favor of the Topco Shared Security Secured Obligations is not prohibited by any applicable prior ranking financing agreements) any other member of the Senior Secured Group and, in each case, designated as Topco Shared Security by the Issuer (in its discretion) in favor of the Security Agent as agent or trustee for the other Secured Parties (or if such trustee arrangements are not legally possible, in favor of all the Secured Parties or in favor of the Security Agent under a parallel debt or similar structure). Topco Shared Security shall secure all liabilities and present and future obligations of any member of the Senior Secured Group and Third Party Security Provider, and at any time after the incurrence of any Topco Liabilities by a Topco Borrower that is not a member of the Senior Secured Group, such Topco Borrower and each of its Restricted Subsidiaries (the "**Topco Group**"), each Debtor and each Third Party Security Provider to the Secured Parties under the Secured Debt Documents.

"**Transaction Security**" refers to security (from the Senior Secured Group, any Third Party Security Provider and Topco Shared Security (as defined above) (but excluding, for the avoidance of doubt, Topco Independent Transaction Security) (as defined above)) which is created, or expressed to be created, in favor of the Security Agent as agent or trustee (or as *mandatario con rappresentanza* or representative for the security pursuant to Article 2414-bis of the Italian Civil Code, as the case may be) for the other Secured Parties (or if such trustee arrangements are not legally possible, in favor of all the Secured Parties or in favor of the Security Agent under a parallel debt or similar structure). Transaction Security which is not Topco Shared Security shall secure all liabilities and present and future obligations of the Debtors and Third Party Security Providers to the Secured Parties (other than the creditors under the Topco Liabilities (the "**Topco Secured Parties**")) under the Debt Documents (other than the finance documents relating to the Topco Liabilities (the "**Topco Finance Documents**")).

Guarantees and Security: Topco Creditors

The creditors in respect of the Topco Liabilities (the "**Topco Creditors**") have the right to take, accept or receive the benefit of:

(i) any Topco Shared Security from any member of the Senior Secured Group or from a Third Party Security Provider in respect of the Topco Liabilities if and to the extent legally possible and subject to any agreed security principles, at the same time it is also offered either:

(A) to the Security Agent as agent or trustee (or as *mandatario con rappresentanza* or representative for the security pursuant to Article 2414-bis of the Italian Civil Code, as the case may be) for the other Secured Parties (or applicable class thereof) in respect of their Liabilities; or

(B) in the case of any jurisdiction in which effective security cannot be granted in favor of the Security Agent as agent or trustee (or as *mandatario con rappresentanza* or representative for the security pursuant to Article 2414-bis of the Italian Civil Code, as the case may be) for the Secured Parties (or applicable class thereof):

(I) to the other Secured Parties (or applicable class thereof) in respect of their Liabilities; or

(II) to the Security Agent under a parallel debt structure, joint and several creditor structure or agency structure for the benefit of the other Secured Parties (or applicable class thereof),

and ranks in the same order of priority as described under "*Priority of Security*" above, provided that all amounts received or recovered by any Topco Creditor with respect to such Topco Shared Security are immediately paid to the Security Agent for application as set out under "*—Application of Proceeds*" below;

(ii) any guarantee, indemnity or other assurance from any member of the Senior Secured Group in respect of the Topco Liabilities in addition to any guarantee, indemnity or assurance in the original form of any Topco Finance Documents or the Intercreditor Agreement, or given to all the Secured Parties as security for the liabilities of the Topco Group, each Debtor and any Third Party Security Provider to the Secured Parties under the Debt Documents if, subject to any agreed security principles:

(A) (except for any guarantee, indemnity or other assurance permitted by the Finance Documents), the Secured Parties other than the Topco Creditors (the "**Priority Secured Parties**") already benefit from such a guarantee, indemnity or other assurance or at the same time it is also offered to the Priority Secured Parties and ranks in the same order of priority as described under "*—Priority of Debts*" and "*—Priority of Security*" above, as applicable; and

(B) all amounts received by any Topco Creditor with respect to such guarantee, indemnity or assurance are immediately paid to the Security Agent for application as set out under "*—Application of Proceeds*" below; and

(iii) any security, guarantee indemnity or other assurance:

(A) from any person that is not a member of the Senior Secured Group; and

(B) from any member of the Senior Secured Group:

(a) in connection with any escrow or similar arrangements relating to amounts held by a person which is not a member of the Topco Group prior to release of those amounts to a member of the Topco Group;

(b) in connection with any actual or proposed defeasance, redemption, repayment, repayment, purchase or other discharge of any Secured Liabilities not prohibited by the Intercreditor Agreement; or

(c) as otherwise permitted by the Intercreditor Agreement.

No security (other than pursuant to the secured documents relating to Topco Independent Transaction Security or Topco Shared Security or as described above) shall be granted by a member of the Senior Secured Group in respect of any Topco Liabilities.

New Debt Financing

The Intercreditor Agreement provides, subject to certain conditions, for the implementation of existing, additional, supplemental or new financing arrangements that will constitute, for the purposes of the Intercreditor Agreement, Senior Lender Liabilities, Senior Secured Notes Liabilities, Cash Management Facility Liabilities, Hedging Liabilities, Second Lien Liabilities, Topco Liabilities, Super Senior Liabilities or Hedging Liabilities (each a "**New Debt Financing**"). The conditions include certification by the Issuer that such New Debt Financing is not prohibited under the terms of the Finance Documents.

Such financing arrangements may be implemented by way of refinancing, replacement, exchange, set-off, discharge or increase of any such new, existing, additional, supplemental financing arrangement under the relevant finance documents. In connection with and in order to facilitate any New Debt Financing, each agent in respect of any Priority Secured Liabilities and the Security Agent (and each other person party to a Transaction Security document or a Topco Independent Transaction Security document) is authorized and instructed to enter promptly into any new security document, amend or waive any term of an existing security document and/or release any asset from the Transaction Security or Topco Independent Transaction Security (as the case may be) and/or to effect the ranking, priority guarantees and security of the New Debt Financing subject to certain conditions, including as regards the terms of any such new security in relation to such New Debt Financing (which shall be, unless otherwise agreed by the Issuer or otherwise required by the Issuer to the extent that the existing Transaction Security or Topco Independent Transaction Security is not being amended or released and the new Transaction Security or new Topco Independent Transaction Security only secures the New Debt Financing, substantially the same as the terms applicable to the existing Transaction Security or Topco Independent Transaction Security over equivalent assets).

Where any indebtedness ("**Permitted Acquired Indebtedness**") which is not prohibited under the Finance Documents is incurred by or in connection with the acquisition of (i) a person or any of its subsidiaries who, after the Closing Date, becomes a Restricted Subsidiary or merges, consolidates or is otherwise combined with a Restricted Subsidiary, or (ii) in relation to an asset of any such person or which is otherwise acquired after the Closing Date (together an "**Acquired Person or Asset**"), any security, guarantee, indemnity or other assurance against loss in respect of such New Debt Financing which is subsisting at the date when the conditions to the incurrence of such New Debt Financing set out in the Intercreditor Agreement have been satisfied (or is to be granted thereafter, including subject to any condition or periodic testing) shall be permitted to subsist and there is no requirement to offer that security, guarantee, indemnity or other assurance in respect of any other liabilities under any Debt Document. No security, guarantee, indemnity or other assurance against loss is required to be given by any member of the Topco Group in respect of any liabilities (including under any Debt Document) (i) over any Acquired Person or Asset if this would breach a contractual undertaking applicable to the Topco Group or is excluded or exempt from being given under the Agreed Security Principles (as defined in each of the Super Senior Facilities Agreements), (ii) over any asset required (including subject to any condition) to provide credit support in relation to any Permitted Acquired Indebtedness (other than as a result of any obligation to extend any Transaction Security ratably for the benefit of such Permitted Acquired Indebtedness), or (iii) where the grant of such security, guarantee, indemnity or other assurance against loss is prevented by the documentation in relation to such Permitted Acquired Indebtedness or would give rise to an obligation (including any payment obligation but not including any obligation to extend any Transaction Security ratably for the benefit of such Permitted Acquired Indebtedness) under or in relation thereto.

Permitted Payments

Permitted Payments in Respect of the Senior and Super Senior Debt

The Debtors, members of the Group and Third Party Security Providers may make payment in respect of the Senior Lender Liabilities, Senior Secured Notes Liabilities, Super Senior Liabilities and Cash Management Facility Liabilities (together with the Hedging Liabilities, the "**Senior Secured Creditor Liabilities**," the creditors in respect thereof being the "**Senior Secured Creditors**") at any time, *provided* that following certain acceleration events under each of the Super Senior Facilities Agreements, any Permitted Senior Secured Facilities Agreement, the Senior Secured Notes Indenture or any Permitted Super Senior Secured Facilities Agreement or following an Insolvency Event (defined below), payments may only be made by Issuer, the members of the Group or Third Party Security Providers and received by creditors in accordance with the provisions described below under

"*—Application of Proceeds*" provided that there shall be no obligation to turnover any such payments received, other than those related to an enforcement of Transaction Security or a Distressed Disposal (as defined below) of assets subject to the Transaction Security.

Any failure to make a payment in accordance with the Senior Secured Finance Documents following an acceleration event as required by the Intercreditor Agreement shall not prevent the occurrence of an event of default under such applicable Senior Secured Finance Documents.

Permitted Payments in Respect of the Second Lien Debt

Prior to the first date on which all of the Senior Liabilities, the Super Senior Liabilities and the Senior Secured Notes Liabilities (together, the "**Senior Secured Liabilities**" and together with the Second Lien Liabilities and Topco Liabilities being the "**Secured Liabilities**") have been discharged (the "**Senior Secured Discharge Date**"), the Issuer, the members of the Group and Third Party Security Providers may only make specified scheduled payments in respect of the Second Lien Liabilities, in accordance with the finance documents governing such Second Lien Liabilities, subject to compliance with certain conditions in the Intercreditor Agreement.

The principal conditions are that the relevant payment (if it is a payment of principal or capitalized interest) is not prohibited by any prior ranking financing agreement, including any Permitted Super Senior Secured Facilities Agreement, Permitted Senior Secured Facilities Agreement and any Senior Secured Notes Indenture (or if it is so prohibited, that all necessary consents have been obtained to permit it or is otherwise permitted under the Intercreditor Agreement), no payment stop notice has been issued to the agent or trustee for the relevant Second Lien Liabilities and no Senior Secured Payment Default (as defined below) has occurred and is continuing.

Certain specified payments in respect of Second Lien Liabilities are also permitted at all times, notwithstanding that a payment stop notice is outstanding or such a payment default is continuing. These payments and basket amounts are substantially similar to those referenced for Topco Liabilities in (ii) of the next paragraph.

Permitted Payments in Respect of Topco Liabilities

Prior to the date which is the later of the Senior Secured Discharge Date and the first date (the "**Second Lien Discharge Date**") on which all Second Lien Liabilities have been discharged (the "**Priority Discharge Date**"), the Issuer, the members of the Group, Topco Borrowers and Third Party Security Providers may only make specified scheduled payments to the Topco Creditors or any Topco Borrower (in respect of the Topco Liabilities) or a Topco Investor (in respect of any Topco Proceeds Loan Liabilities only) (together the "**Topco Group Liabilities**") to the Topco Creditors or any holding company of the Issuer or other lender in respect of a Topco Proceeds Loan (in respect of the Topco Proceeds Loan Liabilities only) (such payments, collectively, "**Permitted Topco Payments**"):

(i) if:

  (A) no Topco Payment Stop Notice (as defined below) is outstanding;

  (B) no payment default (subject to a *de minimis* threshold in the case of amounts other than principal, interest or certain fees) has occurred and is continuing under any Permitted Senior Secured Facilities Agreement, Permitted Super Senior Secured Facilities Agreement, Cash Management Facility document or Senior Secured Notes document (a "**Senior Secured Payment Default**"), or under the Second Lien Facilities or Second Lien Notes (a "**Second Lien Payment Default**"); and

  (C) the payment is of (1) any amount of principal or capitalized interest in respect of the Topco Liabilities which is (x) not prohibited by any prior ranking financing agreements (in respect of the Senior Secured Liabilities and the Second Lien Liabilities), or any required consents to permit such payment have been obtained or (y) required in connection with a Non-Distressed Disposal (as defined below) or any other transaction not prohibited by the terms of any Finance Documents or for claims and other proceeds sought before the occurrence of an acceleration event has occurred and is continuing or the enforcement of any Transaction Security pursuant to such acceleration event, (2) any other amount which is not an amount of principal or capitalized interest (such other amounts including all scheduled interest payments (including, if applicable, special interest or liquidated damages), the accrual of cash interest otherwise payable during a period when a Topco Payment Stop Notice is outstanding and default interest on the Topco Liabilities, accrued and payable in accordance with the terms of the relevant Topco Finance Document (as at the date of the issue of the same or as amended in accordance with the terms of the Intercreditor Agreement and the other Debt Documents), Additional Amounts payable as a result of the tax gross-up provisions relating to Topco Liabilities and amounts in respect of currency indemnities in any Topco Finance Document), (3) made in pursuance of a debt buy-back program approved by the Majority Senior Secured Creditors, Majority Super Senior Creditors and Majority Second Lien Creditors (each as defined below), or (4) amounts due under any syndication strategy letter relating to the Topco Finance Documents;

(ii) if, notwithstanding that a Topco Payment Stop Notice (as defined below) is outstanding and/or (other than in respect of paragraph (N) below) a Senior Secured Payment Default and/or a Second Lien Payment Default has occurred and is continuing and (if the Topco Borrower is a guarantor or borrower under any prior ranking debt facilities at such time, other than in respect of paragraph (L) below) irrespective of whether any creditors under prior ranking debt facilities have accelerated their debt, the payment is not prohibited to be made at such time by any prior ranking financing agreements (in respect of the Senior Secured Liabilities and the Second Lien Liabilities), or the payment is (without double counting any equivalent applicable basket in any Debt Document, but whether or not permitted by the Debt Documents): (A) of ongoing fees under any original fee letter relating to the Topco Finance Documents, (B) of commercially reasonable advisory and professional fees, costs or expenses for restructuring advice and valuations (including legal advice and the advice of other appropriate financial and/or restructuring advisors) and any fees, costs or expenses of the relevant Topco Agent (as defined below) not exceeding €1,500,000 in aggregate, but excluding the costs of any litigation against a Senior Secured Creditor or Second Lien Creditor (or their affiliates), (C) of any amounts owed to a Topco Agent (as defined below), (D) of costs necessary to protect, preserve or enforce security, (E) of any costs, commissions, taxes, premiums, amendment fees (including any original issue discount and other consent and/or waiver fees) and any expenses incurred in respect of (or reasonably incidental to) the Topco Finance Documents (including in relation to any reporting or listing requirements under the Topco Finance Documents), (F) of any other amount not exceeding €5,000,000 in aggregate in any financial year of the Issuer, provided that any such amount not so applied may be carried forward and utilized in the subsequent financial year (where it shall be deemed to have been used first), (G) of any amount of the Topco Liabilities which would have been payable but for the issue of a Topco Payment Stop Notice (which has since expired and no new Topco Payment Stop Notice is outstanding) which has been capitalized and added to the principal amount of the Topco Liabilities or where that amount is outstanding as a result of the accrual of cash interest payable in respect of the Topco Liabilities during such period or any such amount described at (i)(C) above, provided that no such payment may be made if certain events of default have occurred under the Senior Secured Liabilities or Second Lien Liabilities or would occur as a result of making such payment, (H) for as long as an event of default under the Senior Secured Liabilities, Second Lien Liabilities or Topco Group Liabilities documents which is continuing, all or part of the Topco Liabilities being released or otherwise discharged solely in consideration for the issues of shares in any holding company of the Issuer (a "**Debt for Equity Swap**") provided that no cash or cash equivalent payment is made in respect of the Topco Liabilities, that it does not result in a Change of Control as defined in any prior ranking finance agreement or Topco Finance Document and that any Liabilities owed by a member of the Senior Secured Group to another member of the Senior Secured Group, to the Subordinated Creditors or to any other holding company of the Issuer that arise as a result of any such Debt for Equity Swap are subordinated to the Senior Secured Liabilities and Second Lien Liabilities pursuant to the Intercreditor Agreement and the Senior Secured Creditors and Second Lien Creditors are granted Transaction Security in respect of any of those Intra-Group Liabilities or Subordinated Liabilities owed by any member of the Senior Secured Group, (I) of non-cash interest made by way of capitalizing interest or issuing a non-cash-pay financial instrument which is subordinated on the same terms as the Topco Liabilities, (J) of audit fees, directors' fees, taxes and other proper and incidental expenses required to maintain existence or any other reasonable and ordinary course administrative and maintenance costs and expenses of a Topco Borrower or an Affiliate thereof, (K) if the payment is funded directly or indirectly with the proceeds of Topco Liabilities incurred under or pursuant to any Topco Finance Documents, (L) if the payment is made by the Topco Borrower in respect of its obligations under the Topco Finance Documents; and such payment is not directly or indirectly sourced from a member of the Senior Secured Group or such payment is funded from proceeds received by the Topco Borrower from the Senior Secured Group without breaching the terms of the Debt Documents, (M) if the payment is of a principal amount of the Topco Liabilities and made in accordance with a provision in a Topco Finance Document relating to prepayment upon illegality or any other provision that permits the repayment in full of the participation of any Topco Creditor (without a related requirement to repay all other Topco Creditors), including a provision (if any) in a Topco Finance Document which is substantially equivalent to the prepayment of a single lender in the event of a tax gross-up, increased costs or other indemnity becoming payable and (N) if no Senior Secured Payment Default or Second Lien Payment Default has occurred and is continuing the payment is a payment of principal, interest or any other amounts made on or after the final maturity date of the relevant Topco Liabilities (provided that such maturity date is no earlier than that contained in the original form of the relevant Topco Finance Document as of the date of first issuance or borrowing (as the case may be) of the applicable Topco Liabilities); or

(iii) if the requisite Senior Secured Creditors, Super Senior Creditors and Second Lien Creditors give prior consent to that payment being made.

A reference in the section above to a payment shall be construed to include any other direct or indirect step, matter, action or dealing in relation to any Topco Liabilities which are otherwise prohibited under the Intercreditor Agreement.

On or after the Priority Discharge Date, the Debtors, the Topco Borrowers and the Third Party Security Providers may make payments in respect of the Topco Group Liabilities in accordance with the Topco Finance Documents and the Topco Proceeds Loan Agreement (as applicable).

Topco Liabilities Payment Block Provisions

A Topco Payment Stop Notice (as defined below) is outstanding from the date falling one Business Day after the date on which, following the occurrence of an event of default under any Senior Secured Liabilities (a "**Senior Secured Event of Default**") or an event of default under the Second Lien Liabilities (a "**Second Lien Event of Default**"), the Security Agent (acting on the instructions of the requisite Super Senior Creditors, Senior Secured Creditors or Second Lien Creditors gave the instructions for the relevant stop notice to be delivered) (a "**Topco Payment Stop Notice**") to the agent under any Topco Facility (the "**Topco Agent**") and the trustee under any Topco Notes (the "**Topco Notes Trustee**") advising that the Senior Secured Event of Default or Second Lien Event of Default is continuing and suspending payments by the Senior Secured Group of the Topco Liabilities, until the first to occur of:

(i) the date falling 179 days after delivery of that Topco Payment Stop Notice;

(ii) the date on which a default occurs for failure to pay principal at the original scheduled maturity of the relevant Topco Liabilities;

(iii) if a Topco Standstill Period (as defined below) commences after delivery of that Topco Payment Stop Notice, the date on which such standstill period expires;

(iv) the date on which the relevant Senior Secured Event of Default or Second Lien Event of Default has been remedied or waived;

(v) the date on which the Security Agent (acting on the instructions of whichever of the Majority Super Senior Creditors, Majority Senior Secured Creditors or Majority Second Lien Creditors gave the instructions for the relevant Topco Payment Stop Notice to be delivered) delivers a notice to the Topco Borrower, the Topco Agent and the Topco Notes Trustee cancelling the Topco Payment Stop Notice;

(vi) the Priority Discharge Date; and

(vii) the date on which the Topco Creditors take any enforcement action that is permitted under the Intercreditor Agreement (see "—*Permitted Topco Enforcement*" below).

No Topco Payment Stop Notice may be delivered by the Security Agent in reliance on a Senior Secured Event of Default or a Second Lien Event of Default more than 45 days after the occurrence of the relevant event of default. No more than one Topco Payment Stop Notice may be served (i) with respect to the same event or set of circumstances, or (ii) in any period of 360 days.

Any failure to make a payment due in respect of the Topco Group Liabilities as a result of the issue of a Topco Payment Stop Notice or the occurrence of a Senior Secured Payment Default or Second Lien Payment Default shall not prevent (i) the occurrence of an event of default as a consequence of that failure to make a payment in relation to the relevant Topco Group Liabilities, or (ii) the issue of an enforcement notice in respect of an event of default under the finance documents documenting any Topco Group Liabilities (a "**Topco Enforcement Notice**") on behalf of the Topco Creditors.

Payment Obligations and Capitalization of Interest Continue

Nothing in the Second Lien or Topco payment block provisions will release any Debtor from the liability to make any payment (including of default interest, which shall continue to accrue) under the applicable Debt Documents even if its obligation to make such payment is restricted at any time. The accrual and capitalization of interest (if any) in accordance with the applicable Debt Documents shall continue notwithstanding the issue of a payment stop notice.

Cure of Payment Stop

If:

(i) at any time following the issue of a Topco Payment Stop Notice or the occurrence of a Senior Secured Payment Default or Second Lien Payment Default, that Topco Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Senior Secured Payment Default or Second Lien Payment Default ceases to be continuing; and

(ii) the relevant Debtor or Topco Borrower then promptly pays to the Topco Creditors or any party that has acceded to the Intercreditor Agreement as a creditor under a Topco Proceeds Loan (the "**Topco Investors**") (in respect of the Topco Proceeds Loan Liabilities only) an amount equal to any payments which had accrued under the Topco Finance Documents or the Topco Proceeds Loan Agreement (as applicable) and which would have been Permitted Topco Payments but for that Topco Payment Stop Notice or Senior Secured Payment Default or Second Lien Payment Default (as the case may be),

then any event of default which may have occurred under a Topco Finance Document or Topco Proceeds Loan Agreement and any Topco Enforcement Notice which may have been issued as a result of that suspension of payments shall be waived without any further action being required.

Turnover

Subject to certain exceptions, the Intercreditor Agreement provides that if, at any time prior to the latest to occur of the Super Senior Discharge Date (as defined below), the Senior Secured Discharge Date, the Second Lien Discharge Date and the first date on which all of the Topco Liabilities have been fully discharged (the "**Topco Discharge Date**") (the "**Final Discharge Date**") any creditor (other than a Senior Secured Creditor) receives or recovers from any Debtor, member of the Senior Secured Group or Third Party Security Provider:

(i) any payment or distribution of, or on account of or in relation to, any of the liabilities owed to the creditors under the Debt Documents other than any payment or distribution which is either (x) not prohibited under the Intercreditor Agreement or (y) made in accordance with the provisions set out below under "*—Application of Proceeds*";

(ii) other than where specific set-off provisions apply, any amount by way of set-off which does not give effect to a payment permitted under the Intercreditor Agreement;

(iii) any amount:

  (A) on account of, or in relation to, any of the liabilities owed to the creditors under the Debt Documents (I) after the occurrence of an acceleration event or the enforcement of any Transaction Security as a result of such an acceleration event, or (II) as a result of any other litigation or proceedings against a Debtor, member of the Senior Secured Group or any Third Party Security Provider (other than after the occurrence of an Insolvency Event); or

  (B) by way of set-off in respect of any of the liabilities owed to it after the occurrence of an acceleration event or the enforcement of any Transaction Security as a result of such an acceleration event, other than, in each case, any amount received or recovered in accordance with the provisions set out below under "*Application of Proceeds"* and, in the case of any Intra-Group Liabilities, any amounts received or recovered in accordance with the Intercreditor Agreement (to the extent permitted to be received or recovered notwithstanding the occurrence and continuation of an Acceleration Event);

(iv) the proceeds of any enforcement of any of the Transaction Security except in accordance with the provisions set out below under "*—Application of Proceeds"*; or

(v) other than where specific set-off or New Debt Financing provisions apply, any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by any Debtor, any member of the Senior Secured Group or Third Party Security Provider which is not in accordance with the provisions set out below under "*—Application of Proceeds*" and which is made as a result of, or after, the occurrence of an Insolvency Event in respect of that Debtor, member of the Senior Secured Group or Third Party Security Provider,

That creditor will:

(i) in relation to receipts and recoveries not received or recovered by way of set-off (x) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for (or otherwise on behalf and for the account of) the Security Agent and promptly pay or distribute that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement, and (y) promptly pay or distribute an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

(ii) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

A turnover mechanism on substantially the same terms applies in the event that, at any time prior to the Final Discharge Date, any Senior Secured Creditor receives or recovers from any Debtor, any member of the Senior Secured Group or Third Party Security Provider (x) any proceeds from the enforcement of security or from a Distressed Disposal (as defined below) or following an acceleration event or the enforcement of security, any proceeds arising from any of the charged property or (y) any other amounts which should otherwise be received or recovered by the Security Agent except in accordance with the provisions set out below under "—Application of Proceeds."

Effect of Insolvency Event

"**Insolvency Event**" is defined as, in relation to any Obligor, Material Subsidiary (being each original obligor under each of the Super Senior Facilities Agreements and, subject to certain adjustments and the agreed security principles that apply to either of the Super Senior Facilities Agreements, each member of the Group that has an EBITDA representing 10.0% of the Consolidated EBITDA of the Group) or Third Party Security Provider, (a) the passing of any resolution or making of an order for insolvency, bankruptcy, winding up, dissolution, administration, examination or reorganization, (b) a moratorium is declared in relation to any of its indebtedness, (c) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of it or any of its assets, or (d) any analogous procedure or step is taken in any jurisdiction, other than (in each case), (i) frivolous or vexatious proceedings and which, if capable of remedy, are discharged, stayed or dismissed within 20 Business Days of commencement, or if earlier, the date on which it is advertised (or such other period as agreed), (ii) proceedings or appointments which the Security Agent is satisfied will be withdrawn or unsuccessful or (iii) as permitted under any Senior Secured Credit Facility Agreement or in any Permitted Senior Secured Facilities Agreement, Permitted Super Senior Secured Facilities Agreement or a Second Lien Facility Agreement, or otherwise not constituting a default.

The Intercreditor Agreement provides that, after the occurrence of an Insolvency Event, any party entitled to receive a distribution out of the assets of an Obligor, Material Subsidiary or Third Party Security Provider (in the case of a Senior Secured Creditor, only to the extent such amounts constitute proceeds of enforcement) shall direct the person responsible for the distribution to pay that distribution to the Security Agent until the liabilities owing to the Secured Parties have been paid in full. The Security Agent shall apply all such distributions paid to it in accordance with the provisions set out under "*—Application of Proceeds*" below.

To the extent that any member of the Senior Secured Group or Third Party Security Provider's liabilities to creditors are, with certain exceptions, discharged by way of set-off (mandatory or otherwise and in the case of a Senior Secured Creditor, only to the extent such amounts constitute proceeds of enforcement) after the occurrence of an Insolvency Event, any creditor benefiting from such set-off shall pay an amount equal to the amount of the liabilities owed to it which are discharged by that set-off to the Security Agent for application in accordance with the provisions set out under "—*Application of Proceeds*" below.

If the Security Agent or any other Secured Party receives a distribution in a form other than in cash in respect of any liabilities, the liabilities will not be reduced by that distribution until and except to the extent that the realization proceeds are actually applied towards such liabilities.

Subject to certain netting and set-off rights under ancillary or cash management facilities, after the occurrence of an Insolvency Event, each creditor irrevocably authorizes the Security Agent to take Enforcement Action (as defined below), make demands, collect and receive distributions, file claims and take other actions necessary to make recovery in relation to the Debtors, member of the Senior Secured Group or Third Party Security Provider. The creditors agree to do all things the Security Agent reasonably requests in order to give effect to these provisions.

Security Enforcement Regime

Enforcement of Security

The Intercreditor Agreement provides that the Security Agent may not take any action to enforce the Transaction Security or the Topco Independent Transaction Security without the prior written consent of the Majority Senior Secured Creditors and Majority Super Senior Creditors, the Majority Second Lien Creditors or Majority Topco Creditors (as applicable) otherwise as specified in the provisions described below.

An "**Instructing Group**" means:

(i) prior to the later of the Senior Secured Discharge Date and the first date on which the Super Senior Liabilities have been fully and finally discharged (the "**Super Senior Discharge** Date"), Senior Secured Creditors (other than the Super Senior Creditors) representing more than 50.0% of the credit participations of the Senior Secured Liabilities (other than the Super Senior Liabilities) (the "**Majority Senior Secured Creditors**"), and Super Senior Creditors representing more than 50.0% of the credit participations of the Super Senior Secured Liabilities (the "**Majority Super Senior Creditors**") save that, for instructions relating to enforcement, it shall mean the group of Secured Creditors entitled to give instructions in accordance with the enforcement regime described under "—*Enforcement of Transaction Security*" below;

(ii) on or after the later of the Senior Secured Discharge Date and the Super Senior Discharge Date but before the Priority Discharge Date, Second Lien Creditors representing more than 50.0% of the credit participations of the Second Lien Liabilities (the "**Majority Second Lien Creditors**"); and

(iii) on or after the Priority Discharge Date but before the Topco Discharge Date, Topco Creditors representing more than 50.0% of the credit participations of the Topco Liabilities (the "**Majority Topco Creditors**").

Enforcement of Transaction Security

The Security Agent may refrain from enforcing the Transaction Security unless instructed otherwise in accordance with the provisions described in this paragraph. If the Transaction Security has become enforceable, if either the Majority Super Senior Creditors or the Majority Senior Secured Creditors wish to issue enforcement instructions, their respective representatives (and, if applicable, the hedge counterparties) shall deliver a copy of those instructions (an "**Initial Enforcement Notice**") to the Security Agent and to the other agents, trustees and hedge counterparties which did not deliver such Initial Enforcement Notice and these enforcement instructions shall be consistent with the Enforcement Principles.

The parties agree that any obligation of an Italian Debtor (including under any Transaction Security documents governed by Italian law) are subject to any applicable provisions under the Italian Bankruptcy Law (and when and to the extent applicable, the Italian Crisis and Insolvency Code and any other analogous provisions as applicable from time to time) and any other mandatory provisions of Italian law. In relation to any Transaction Security documents governed by Italian law, the parties agree that such instructions may include the right of the Secured Parties to take any available enforcement action together with the Security Agent to the extent either necessary or advisable pursuant to applicable Italian law.

The Security Agent will act in accordance with any instructions (provided they are consistent with the Enforcement Principles (as defined below)) received from (i) the Majority Senior Secured Creditors, (ii) if the Majority Senior Secured Creditors have not made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue within three months of the Initial Enforcement Notice or the Super Senior Discharge has not occurred within six months of the Initial Enforcement Notice, the Majority Super Senior Creditors, until the Super Senior Discharge Date has occurred, (iii) if an Insolvency Event (other than an Insolvency Event directly caused by enforcement action taken at the request of a Super Senior Creditor) is continuing, the Super Senior Creditors, until the Super Senior Discharge Date has occurred, (iv) if the Majority Senior Secured Creditors have not made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue and the Majority Super Senior Creditors (x) determine in good faith that a delay could reasonably be expected to have a material adverse effect on the Security Agent's ability to enforce the Transaction Security or on the realization of proceeds and (y) deliver instructions they reasonably believe is consistent with the Enforcement Principles (as defined below) before the Security Agent has received any instructions from the Majority Senior Secured Creditors, the Majority Super Senior Creditors, until the Super Senior Discharge Date has occurred, (v) if, prior to the later of the Senior Secured Discharge Date and the Super Senior Discharge Date, the Majority Senior Secured Creditors or the Majority Super Senior Creditors (as applicable) have not given instructions or they have instructed the Security Agent not to enforce or cease enforcing and have not required any Debtor or Third Party Security Provider to make a Distressed Disposal, the Majority Second Lien Creditors, where the rights of the Second Lien Creditors to enforce have arisen under the Intercreditor Agreement, or (vi) if, prior to the Priority Discharge Date, the Majority Senior Secured Creditors or the Majority Super Senior Creditors or the Majority Second Lien Creditors (as applicable) have not given instructions or they have instructed the Security Agent not to enforce or cease enforcing and have not required any Debtor or Third Party Security Provider to make a Distressed Disposal, the Majority Topco Creditors who are then entitled to give such instructions under the Intercreditor Agreement.

Notwithstanding the preceding paragraph, if at any time the agents or representatives of the Second Lien Creditors or Topco Creditors then entitled to give the Security Agent instructions either give such instruction or indicate any intention to give such instruction, then the Majority Senior Secured Creditors or Majority Super Senior Creditors to the extent that such group is entitled to give enforcement instructions as described in the paragraph above may give instructions to the Security Agent to enforce the Transaction Security as they see fit and the Security Agent shall act on such instructions.

"**Enforcement Principles**" means certain requirements as to the manner of enforcement, including that (i) to the extent consistent with a prompt and expeditious realization of value, the method of enforcement chosen should maximize the value realized from such enforcement, (ii) certain proceeds must be received in cash, and (iii) enforcement in relation to assets whose value exceeds €5,000,000 or shares if not carried out by way of a public auction or other competitive sales process, shall (if the Security Agent is requested to do so by the Majority Super Senior Creditors or Majority Senior Secured Creditors) benefit from a fairness opinion from an investment bank, firm of accountants or third party financial adviser (unless sufficient to discharge in full the Senior Secured Liabilities and the Super Senior Liabilities).

Enforcement—Topco Independent Transaction Security

Subject to the Topco Independent Transaction Security having become enforceable in accordance with its terms, an agent or trustee under the Topco Finance Documents (acting on the instructions of the Majority Topco Creditors) may give or refrain giving, instructions to the Security Agent to enforce or refrain from enforcing the Topco Independent Transaction Security as they see fit.

Manner of Enforcement—Topco Independent Transaction Security

If the Transaction Security or Topco Independent Transaction Security is being enforced in accordance with any of the above paragraphs, the Security Agent shall enforce the relevant Transaction Security or

Topco Independent Transaction Security in such manner (including, without limitation, the selection of any administrator of any Debtor or Third Party Security Provider to be appointed by the Security Agent) as any persons entitled at any time under the above provisions shall instruct it or, in the absence of any such instructions, as the Security Agent sees fit (which may include taking no action).

Security Held by Other Creditors

If any Transaction Security or Topco Independent Transaction Security is held by a creditor other than the Security Agent, then creditors may only enforce that Transaction Security or Topco Independent Transaction Security in accordance with instructions given by instructing creditors in accordance with the paragraphs above.

Enforcement Regime

Restrictions on Enforcement by Second Lien Creditors

Certain of the features set out below with respect to Topco Creditors may apply to the Second Lien Creditors, with appropriate modifications for the relative position in the capital structure.

Restrictions on Enforcement by Topco Creditors

Until the Priority Discharge Date, except with the prior consent of or as required by an Instructing Group, (i) no Topco Creditor or Topco Investor shall direct the Security Agent to enforce, or otherwise require the enforcement of any Transaction Security (including the crystallization of any floating charge forming part of the Transaction Security); (ii) no Topco Creditor nor Topco Investor shall take or require the taking of any Enforcement Action (as defined below) against any member of the Senior Secured Group or Third Party Security Provider (other than in each case (and to the extent not restricted by (i) above and (iii) below) against a Topco Borrower) in relation to the Topco Group Liabilities; and (iii) no Topco Creditor nor Topco Investor nor Topco Borrower shall take or require the taking of any Enforcement Action (as defined below) in relation to Topco Proceeds Loan Liabilities, except in the case of each of (i) through (iii) as set out under "—*Permitted Topco Enforcement*" below.

Other than as restricted by (i) and (iii) in the paragraph above, any Topco Creditor may at any time take any Enforcement Action (as defined below) against any person that is not a member of the Senior Secured Group, in each case in accordance with the terms of the Topco Finance Documents.

"**Enforcement Action**" is defined as:

(i) in relation to any liabilities (other than unsecured liabilities) (A) the acceleration of any liabilities or making of any declaration that any liabilities are prematurely due and payable (other than as a result of it becoming unlawful for a Secured Creditor to perform its obligations under, or of any prepayment arising under the Debt Documents), putting on demand, making of a demand, requiring a member of the Topco Group or Third Party Security Provider to acquire such liabilities (subject to certain exceptions), exercising of rights of set-off (other than certain netting under hedging agreements or as otherwise permitted under the Debt Documents) or (B) suing or commencing proceedings in relation to such liabilities;

(ii) premature termination or close-out of a hedging agreement, save to the extent permitted by the Intercreditor Agreement;

(iii) the taking of steps to enforce or require the enforcement of the Transaction Security or, as the case may be, Topco Independent Transaction Security (including the crystallization of any floating charge) as a result of an acceleration event;

(iv) entering into any composition, compromise, assignment or similar arrangement with any Third Party Security Provider or a member of the Topco Group which owes any liabilities or has given security or guarantees or other assurances against loss in respect of liabilities owed to a creditor under the Intercreditor Agreement (other than any action permitted under the Intercreditor Agreement or any debt buy-backs pursuant to open market debt repurchases, tender offers or exchange offers not undertaken as part of an announced restructuring or turnaround plan or while a default was outstanding under the relevant finance documents); or

(v) petitioning, applying, voting for or taking steps (including the appointment of any liquidator, receiver, administrator or similar officer) in relation to the winding up, dissolution, administration or reorganization of any Third Party Security Provider or a member of the Topco Group which owes any liabilities or has given security or guarantees or other assurances against loss in respect of liabilities owed to a creditor under the Intercreditor Agreement or any of such Third Party Security Provider or member of the Topco Group's assets or any suspension of payments or moratorium of any indebtedness of any such Third Party Security Provider or member of the Topco Group, or any analogous procedure or step in any jurisdiction, except that the following shall not constitute Enforcement Action (A) suing, commencing proceedings or taking any action referred to in paragraph (i)(B) and (v) where necessary to preserve a claim, (B) discussions between or proposals made by the Priority Secured Parties with respect to enforcement of the Transaction Security in accordance with the Intercreditor Agreement, (C) bringing proceedings in connection with a securities violation, securities or listing regulations or common law fraud or to restrain any breach of the Debt Documents or for specific performance with no claims for damages, (D) proceedings brought by a Secured Party to obtain injunctive relief, specific performance with no claim for damages or to request judicial interpretation in relation to a Debt Document to which it is party with no claim for damages, (E) demands made by Intra-Group Creditors or Subordinated Creditors to the extent they relate to payments permitted under the Intercreditor Agreement or the release of the liabilities owed to such creditors in return for the issue of shares in the relevant member of the Senior Secured Group provided that the ownership interest of the member of the Senior Secured Group is not diluted and any relevant shares remain subject to the same Transaction Security as existed prior to the issue, and (F) proceedings brought by an ancillary lender, a lender of Cash Management Facility Liabilities (a "**Cash Management Facility Lender**"), hedge counterparty, issuing bank, or agent or trustee in respect of the Second Lien Liabilities or Topco Liabilities to obtain injunctive relief, specific performance with no claim for damages or to request judicial interpretation in relation to a Debt Document to which it is party with no claim for damages or in connection with any securities violation, securities or listing regulations or common law fraud.

Permitted Topco Enforcement

The restrictions set out above under "—*Restrictions on Enforcement by Topco Creditors*" will not apply in respect of the Topco Group Liabilities, Topco Proceeds Loan Liabilities, or any Transaction Security securing the Topco Group Liabilities, if:

(i) an event of default (the "**Topco Event of Default**") under a Topco Finance Document or a Topco Proceeds Loan Agreement (the "**Relevant Topco Default**") is continuing;

(ii) all agents or trustees in respect of the Senior Lender Liabilities, Senior Secured Notes Liabilities, and Second Lien Liabilities have received a notice of the Relevant Topco Default specifying the event or circumstance in relation to the Relevant Topco Default from the Topco Agent, the Topco Notes Trustee or the Topco Borrower in relation to the relevant Topco Group Liabilities;

(iii) a Topco Standstill Period (as defined below) has elapsed; and

(iv) the Relevant Topco Default is continuing at the end of that Topco Standstill Period.

Promptly upon becoming aware of a Topco Event of Default, a Topco Notes Trustee, Topco Agent or Topco Investor (as the case may be) may give a Topco Enforcement Notice notifying any agent under a Permitted Senior Secured Facilities Agreement (the "**Senior Agent**"), senior secured notes trustee, the Second Lien Agent and any second lien notes trustee of the existence of such event of default.

"**Topco Standstill Period**" means the period beginning on the date (the "**Topco Standstill Start Date**") a Topco Enforcement Notice is served in respect of such a Relevant Topco Default and ending on the earliest to occur of:

(i) the date falling 179 days after the Topco Standstill Start Date (the "**Topco Standstill Period**");

(ii) the date the Priority Secured Parties take any Enforcement Action in relation to a particular Debtor or Third Party Security Provider, *provided* that:

  (A) if a Topco Standstill Period ends pursuant to this paragraph (ii), the Topco Creditors or a Topco Investor (in respect of the Topco Proceeds Loan Liabilities only) may only take the same Enforcement Action in relation to a Topco Guarantor as the Enforcement Action taken by the Priority Secured Parties against such Topco Guarantor and not against any other member of the Senior Secured Group or Third Party Security Provider; and

(B) Enforcement Action for the purpose of this paragraph (ii) shall not include action taken to preserve or protect any security as opposed to realize it;

(iii) the date of an Insolvency Event (as defined above) in relation to a particular Topco Guarantor against whom Enforcement Action is to be taken;

(iv) the expiry of any other Topco Standstill Period outstanding at the date such first mentioned Topco Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy); and

(v) the first date on which each of the Majority Super Senior Creditors, the Majority Senior Secured Creditors and the Majority Second Lien Creditors (as applicable) have given their consent to the relevant Enforcement Action.

The Topco Creditors or Topco Investor (in respect of the Topco Proceeds Loan Liabilities only) may take Enforcement Action under the provisions described in this section (*Permitted Topco Enforcement*) in relation to a Relevant Topco Default even if, at the end of any relevant Topco Standstill Period or at any later time, a further Topco Standstill Period has begun as a result of any other event of default in respect of the Topco Liabilities.

Option to Purchase: Topco Creditors

Following acceleration or the enforcement of Transaction Security upon acceleration under any Senior Secured Creditor Liabilities, Second Lien Liabilities or Topco Liabilities, Topco Creditors may elect, by giving not less than 10 days' prior written notice to the Security Agent, to purchase all, but not part of, the Senior Lender Liabilities, Super Senior Lender Liabilities, Senior Secured Notes Liabilities, Cash Management Facility Liabilities, Second Lien Lender Liabilities and Second Lien Notes Liabilities for the amount that would have been required to prepay or redeem such liabilities on such date plus certain costs and expenses. Topco Creditors must also elect for the counterparties to hedging obligations to transfer their hedging obligations to holders in exchange (subject to specified conditions) for the amount that would have been payable under such hedging obligations had they been terminated on such date plus certain costs and expenses in connection with any such purchase.

Non-Distressed Disposals

The Security Agent (on behalf of itself and the other Secured Parties) and each other person party to a Transaction Security document or a Topco Independent Transaction Security document agrees that it shall (and is irrevocably authorized, instructed and obliged to do so without further consent, agreement or instruction from any creditor, other Secured Party or Debtor) promptly following receipt of a written request from the Issuer:

(i) release (or procure the release) from the Transaction Security or Topco Independent Transaction Security and the Secured Debt Documents:

(A) any security (and/or other claim relating to a Debt Document) over any asset which the Issuer has confirmed is the subject of:

(1) a disposal not prohibited under the Finance Documents or where any applicable release and/or consent has been obtained under the applicable Finance Document including a disposal to a member of the Senior Secured Group but without prejudice to any obligation of any member of the Senior Secured Group in a Finance Document to provide replacement security;

(2) any other transaction not prohibited by the Finance Documents pursuant to which that asset will cease to be held or owned by a member of the Senior Secured Group (or, to the extent any applicable Finance Document prohibits such transaction, the applicable Agent authorizes the release in accordance with the terms of the applicable Finance Document or the Required Creditor Consent for such transaction has been obtained),

in each case where such disposal is not a Distressed Disposal (as defined below) (in each case, a "**Non-Distressed Disposal**");

(B) any security (and/or other claim relating to a Debt Document) over any document or other agreement requested in order for any member of the Senior Secured Group to effect any amendment or waiver or otherwise exercise any rights, comply with any obligation or take any action in relation to such document or agreement to the extent that the Issuer has confirmed that such action is not prohibited by any Finance Document;

(C) any security (and/or other claim relating to a Debt Document) over any asset of any member of the Senior Secured Group which has ceased or will cease to be a Debtor or guarantor to the extent that the Issuer has confirmed that such ceasing to be a Debtor or guarantor in accordance with the terms of each Finance Document or the Agreed Security Principles (as defined in each of the Super Senior Facilities Agreements); and

(D) any security (and/or other claim relating to a Debt Document) over any other asset to the extent that the Issuer has confirmed that such security is not required to be given or such release in accordance with the terms of any Finance Document or the Agreed Security Principles (as defined in each of the Super Senior Facilities Agreements);

(ii) in the case of a disposal of share or ownership interest in a Debtor, other member of the Senior Secured Group or any holding company of any Debtor or any other transaction pursuant to which a Debtor, other member of the Senior Secured Group or any holding company of any Debtor will cease to be a member of the Topco Group or a Debtor, release or procure the release of that Debtor or other member of the Senior Secured Group and its subsidiaries from all present and future liabilities under the Secured Debt Documents and the respective assets of such Debtor and its subsidiaries from the Transaction Security or Topco Independent Transaction Security and the Secured Debt Documents (including any claim relating to a Debt Document); and

(iii) to effect a novation or transfer of all the rights and obligations of a borrower which has incurred Senior Lender Liabilities, Super Senior Liabilities or Second Lien Liabilities under the applicable Secured Debt Documents to permitted transferees in certain permitted circumstances.

When making any request for a release pursuant to paragraphs (i)(A), (i)(B) or (ii) above, the Issuer shall confirm in writing to the Security Agent, that the relevant disposal or other action is not prohibited as at the date of completion of such release or, at the option of the Issuer, on the date that the definitive agreement for such disposal or similar transaction is entered into.

When making any request for a release pursuant to paragraph (i)(C) or (i)(D) above, the Issuer shall confirm in writing to the Security Agent, that such security is not required to be given or the relevant release or cessation is otherwise in accordance with the terms of the Finance Documents or the Agreed Security Principles (as defined in each of the Super Senior Facilities Agreements).

In the case of a disposal of shares or other ownership interests in a Debtor, member of the Senior Secured Group or holding company of any Debtor or any other transaction pursuant to which a Debtor, member of the Senior Secured Group or holding company of any Debtor will cease to be a member of Topco Group or a Debtor, to the extent the Issuer has confirmed to the Security Agent that it is not prohibited by the Finance Documents, if such member of the Topco Group or a Debtor is a borrower, issuer or primary debtor under any Debt Document, such person shall have the right to voluntarily prepay all Liabilities outstanding under any Debt Document.

Distressed Disposals

"**Distressed Disposal**" means a disposal of an asset or shares of, or other financial securities issued by a member of the Senior Secured Group or, in the case of a Third Party Security Provider, any assets or shares or financial securities which are subject to the Transaction Security which is being effected (a) at the request of an Instructing Group in circumstances where the Transaction Security has become enforceable as a result of an acceleration event, (b) by enforcement of the Transaction Security as a result of an acceleration event, or (c) after the occurrence of an acceleration event or the enforcement of Transaction Security as a result of an acceleration event, by a Debtor or Third Party Security Provider to a person or persons which is not a member of the Group.

If a Distressed Disposal of any asset is being effected, the Security Agent is irrevocably authorized (at the cost of the relevant Debtor, Third Party Security Provider and the Issuer and without any consent, sanction, authority or further confirmation from any creditor under the Intercreditor Agreement, Third Party Security Provider or Debtor):

(i) to release the Transaction Security or any other claim over that asset, enter into any release of that Transaction Security or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be necessary or desirable;

(ii) if the asset which is disposed of consists of shares in the capital of a Debtor to release (A) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing, guarantee or other liabilities; (B) any Transaction Security granted by that Debtor or any subsidiary of that Debtor over any of its assets, and (C) any other claim of an intra-group lender, a Topco Investor, Subordinated Creditor or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor, on behalf of the relevant creditors, Third Party Security Providers and Debtors;

(iii) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor to release (A) that holding company and any subsidiary of that holding company from all or any part of its borrowing, guarantee or other liabilities; (B) any Transaction Security granted by that holding company or any subsidiary of that holding company over any of its assets, and (C) any other claim of an intra-group lender, a Topco Investor, Subordinated Creditor or a Debtor over that holding company's assets or over the assets of any subsidiary of that Debtor, on behalf of the relevant creditors and Debtors;

(iv) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to dispose of all or any part of the liabilities owed by such Debtor or holding company or any of their subsidiaries to creditors or other Debtors:

   (A) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does not intend that any transferee of those liabilities (the "**Transferee**")) will be treated as a Secured Creditor or Secured Party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of all or part of those liabilities, provided that, notwithstanding any other provision of any Debt Document, the Transferee shall not be treated as a Secured Creditor or Secured Party for the purposes of the Intercreditor Agreement; and

   (B) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does intend that any Transferee will be treated as a Secured Creditor or Secured Party for the purposes of the Intercreditor Agreement) to execute and deliver or enter into any agreement to dispose of all (and not part only) of the liabilities owed to the Secured Parties and all or part of any other liabilities,

   on behalf of, in each case, the relevant creditors, Third Party Security Providers and Debtors; and

(v) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the "**Disposed Entity**") and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to transfer to another Debtor (the "**Receiving Entity**") all or any part of the Disposed Entity's obligations or any obligations of a subsidiary of that Disposed Entity in respect of the intra-group liabilities or liabilities owed to any Debtor, to execute and deliver or enter into any agreement to:

   (A) transfer all or part of the obligations in respect of those intra-group liabilities or liabilities to any Debtor on behalf of the relevant intra-group lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and

   (B) (provided the Receiving Entity is a holding company of the Disposed Entity which is also a Guarantor of the Senior Secured Liabilities, the Second Lien Liabilities or the Topco Liabilities) to accept the transfer of all or part of the obligations in respect of those intra-group liabilities, liabilities owed to Debtors on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those intra-group liabilities or liabilities owed to Debtors are to be transferred.

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of liabilities as described above in (iv)) shall be paid to the Security Agent for application in accordance with the provisions set out under "—*Application of Proceeds*" below as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of liabilities has occurred pursuant to (iv) above, as if that disposal of liabilities had not occurred.

In the case of a Distressed Disposal (or a disposal of liabilities pursuant to (iv) and (v) above) effected by, or at the request of, the Security Agent, the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (although the Security Agent shall not have any obligation to postpone any such Distressed Disposal or disposal of liabilities in order to achieve a higher price), and shall in all cases comply with the requirements set out in the paragraphs below (as applicable) and act in accordance with them (as applicable).

If a Distressed Disposal is being effected at a time when the Majority Second Lien Creditors are entitled to give and have given instructions in accordance with the Intercreditor Agreement, the Security Agent is not authorized to release any Debtor, Subsidiary or holding company from any borrowing liabilities or guarantee liabilities or other liabilities owed to any Senior Secured Creditor unless those borrowing liabilities or guarantee liabilities or other liabilities and any other Senior Secured Liabilities will be paid (or repaid) in full (or, in the case of any contingent liability relating to a letter of credit, cash management facility or an ancillary facility, made the subject of cash collateral arrangements acceptable to the relevant senior creditor) immediately following that release.

If a Distressed Disposal is being effected at a time when the Majority Topco Creditors are entitled to give, and have given instructions in accordance with the Intercreditor Agreement, the Security Agent is not authorized to release any Debtor, subsidiary or holding company from any borrowing liabilities or guarantee liabilities or other liabilities owed to any Senior Secured Creditor or any Second Lien Creditor unless those borrowing liabilities or guarantee liabilities or other liabilities and any other Senior Secured Liabilities or Second Lien Liabilities will be paid (or repaid) in full (or, in the case of any contingent liability relating to a letter of credit, cash management facility or an ancillary facility, made the subject of cash collateral arrangements acceptable to the relevant senior creditor) immediately following that release.

Where borrowing liabilities, guarantee liabilities or other liabilities would otherwise be released pursuant to the Intercreditor Agreement, the creditor concerned may elect to have those borrowing liabilities, guarantee liabilities or other liabilities transferred to a holding company of the Issuer specified by such creditor, in which case the Security Agent is irrevocably authorized (at the cost of the relevant Debtor or the Issuer and without any consent, sanction, authority or further confirmation from any creditor or Debtor) to execute such documents as are required to so transfer those borrowing liabilities, guarantee liabilities or other liabilities.

Subject to the paragraphs below, if a Distressed Disposal (or a disposal of liabilities pursuant to paragraphs (iv) and (v) above) is being effected by or at the request of the Security Agent, unless the consent of each Senior Agent and each Senior Secured Notes Trustee (as applicable) has been obtained, it is a further condition to any release, transfer or disposal under paragraphs (i) to (v) above that:

(i) the consideration for such sale or disposal is in cash (or substantially all in cash); and

(ii) such sale or disposal (including any sale or disposal of any claim) is made:

    (A) pursuant to a competitive sales process; or

    (B) where a reputable, independent and internationally recognized investment bank, firm of accountants or third party financial adviser selected by the Security Agent has delivered an opinion (including an enterprise valuation of the Group which can be relied upon by the Security Agent and disclosed to the Senior Secured Creditors, the Second Lien Creditors and the Topco Creditors on a non-reliance basis) that the proceeds received or recovered in connection with such sale or disposal are fair from a financial point of view taking into account all relevant circumstances including the method of enforcement (it being acknowledged that the Security Agent shall have no obligation to select or engage any investment bank, firm of accountants or third party financial adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

If before the Second Lien Discharge Date, a Distressed Disposal (or a disposal of Liabilities pursuant to paragraphs (iv) and (v) above) is being effected such that any Second Lien Liabilities and/or Transaction Security securing Second Lien Liabilities will be released, transferred or disposed pursuant to the Intercreditor Agreement, it is a further condition to any release, transfer, or disposal under paragraphs (i) to (v) above that either:

(i) the Second Lien Agent and each Second Lien Notes Trustee have approved the release, transfer or disposal; or

(ii) where shares or assets of a borrower, issuer or guarantor in respect of Second Lien Liabilities are sold:

(A) the consideration for such sale or disposal is in cash (or substantially in cash); and

(B) at the time of completion of the sale or disposal the borrowing liabilities, guarantee liabilities or other liabilities owing to each of the Secured Creditors all claims of the Secured Parties and unsecured creditors are sold or disposed of, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and not assumed by the purchaser or one of its affiliates), and in each case all Transaction Security, Topco Independent Transaction Security or other security in favor of the Secured Parties in respect of the assets of such members of the Group is simultaneously and unconditionally released and discharged concurrently with such sale, provided that if each Senior Agent and Senior Secured Notes Trustee:

(I) acting reasonably and in good faith determine that the Senior Secured Creditors (collectively) will recover a greater cash amount if such claim is sold or otherwise transferred to the purchaser or one of its Affiliates and not released or discharged and provided such amount is nevertheless less than the aggregate amount of outstanding amount of the liabilities owed to the Priority Secured Parties (which shall be deemed to be the case if there are no bidders or if each Senior Agent and Senior Secured Notes Trustee (acting reasonably and in good faith) determines that there are no bona fide and fully committed bids in cash or substantially all in cash in excess of the outstanding amount of the liabilities owed to the Senior Secured Creditors); and

(II) serves a written notice on the Security Agent confirming the same,

in which case the Security Agent shall be entitled immediately to sell and transfer such claim to such purchaser (or an affiliate of such purchaser); and

(C) such sale or disposal (including any sale or disposal of any claim) is made:

(I) pursuant to a public auction or other competitive sale process run in accordance with the advice of a reputable, independent and internationally recognized investment bank, firm of accountants or third party professional firm with a view to obtaining the best price reasonably obtainable taking into account all relevant circumstances and in which creditors under the Second Lien Liabilities and Topco Liabilities are entitled to participate as prospective buyers and/or financiers; or

(II) where a reputable, independent and internationally recognized investment bank, firm of accountants or third party professional firm which has delivered an opinion (including an enterprise valuation) in respect of such sale or disposal that the amount is fair from a financial point of view, taking into account all relevant circumstances including the method of enforcement (it being acknowledged that the Security Agent shall have no obligation to select or engage any investment bank, firm of accountants or third party professional firm unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

If before the Topco Discharge Date, a Distressed Disposal (or a disposal of Liabilities pursuant to paragraphs (iv) and (v) above) is being effected such that any Topco Liabilities and/or Transaction Security securing Topco Liabilities will be released, transferred or disposed pursuant to the Intercreditor Agreement, it is a further condition to any release, transfer or disposal pursuant to the Intercreditor Agreement that either:

(i) each Topco Agent and Topco Notes Trustee have approved the release, transfer or disposal; or

(ii) where shares or assets of a borrower, issuer or guarantor (a "**Topco Guarantor**") in respect of Topco Liabilities are sold:

(A) the consideration for such sale or disposal is in cash (or substantially in cash); and

(B) at the time of completion of the sale or disposal the borrowing liabilities, guarantee liabilities or unsecured liabilities owing to each of the Secured Creditors all claims of the Secured Parties and unsecured creditors are sold or disposed of, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and not assumed by the purchaser or one of its affiliates), and in each case all Transaction Security, Topco Independent Transaction

Security or other security in favor of the Secured Parties in respect of the assets of such members of the Group is simultaneously and unconditionally released and discharged concurrently with such sale, provided that if each Senior Agent, Senior Secured Notes Trustee, Second Lien Agent and Second Lien Notes Trustee:

(I) acting reasonably and in good faith determine that the Priority Secured Parties (collectively) will recover a greater cash amount if such claim is sold or otherwise transferred to the purchaser or one of its Affiliates and not released or discharged and provided such amount is nevertheless less than the aggregate amount of outstanding amount of the liabilities owed to the Priority Secured Parties (which shall be deemed to be the case if there are no bidders or if each Senior Agent, Senior Secured Notes Trustee, Second Lien Agent and Second Lien Notes Trustee (acting reasonably and in good faith) determines that there are no bona fide and fully committed bids in cash or substantially all in cash in excess of the outstanding amount of the liabilities owed to the Priority Secured Parties) (the "**Priority Secured Liabilities**"); and

(II) serves a written notice on the Security Agent confirming the same,

in which case the Security Agent shall be entitled immediately to sell and transfer such claim to such purchaser (or an affiliate of such purchaser); and

(C) such sale or disposal (including any sale or disposal of any claim) is made:

(I) pursuant to a public auction or other competitive sale process run in accordance with the advice of a reputable, independent and internationally recognized investment bank, firm of accountants or third-party professional firm with a view to obtaining the best price reasonably obtainable taking into account all relevant circumstances and in which creditors under the Second Lien Liabilities and Topco Liabilities are entitled to participate as prospective buyers and/or financiers; or

(II) where a reputable, independent and internationally recognized investment bank, firm of accountants or third-party professional firm which has delivered an opinion (including an enterprise valuation) in respect of such sale or disposal that the amount is fair from a financial point of view, taking into account all relevant circumstances including the method of enforcement (it being acknowledged that the Security Agent shall have no obligation to select or engage any investment bank, firm of accountants or third-party professional firm unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

Application of Proceeds

Order of Application—Transaction Security

Subject to certain provisions set out in the Intercreditor Agreement and to the proviso described below, all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Debt Document (other than amounts in respect of Topco Independent Transaction Security or any other security which is not Transaction Security or any guarantees provided by any holding company of Topco or any subsidiary of any holding company of the Issuer (other than a member of the Senior Secured Group) in respect of any Topco Liabilities or Topco Proceeds Loan Liabilities) or in connection with the realization or enforcement of all or any part of the Transaction Security shall be applied at any time as the Security Agent sees fit, in the following order of priority:

(i) in discharging any Agent Liabilities relating to the Senior Secured Liabilities, the Second Lien Liabilities or the Topco Liabilities and any sums owed to the Security Agent and any receiver or delegate on a *pari passu* basis;

(ii) in payment of all costs and expenses incurred by any agent or Secured Creditor in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;

(iii) if the Super Senior Discharge Date has not occurred, for application towards the discharge of:

(A) the Super Senior Lender Liabilities and liabilities to arrangers and agents thereof; and

(B) Hedging Liabilities that have been designated by the Issuer as ranking alongside the Super Senior Lender Liabilities (the "**Super Senior Hedging Liabilities**") (on a *pro rata* basis between the Super Senior Hedging Liabilities of each hedge counterparty),

on a *pro rata* basis and ranking *pari passu* between paragraphs (A) and (B) above; and/or

(iv) if or after the Super Senior Discharge Date has occurred, for application towards the discharge of:

(A) the Senior Lender Liabilities and liabilities to arrangers thereof;

(B) the Senior Secured Notes Liabilities;

(C) the Cash Management Facility Liabilities; and

(D) the Hedging Liabilities which are not Super Senior Hedging Liabilities,

on a *pro rata* basis and ranking *pari passu* between paragraphs (A), (B), (C) and (D) above;

(v) for application towards the discharge of (x) the Second Lien Lender Liabilities and liabilities to arrangers thereof, and (y) the Second Lien Notes Liabilities, on a *pro rata* basis and ranking *pari passu* between themselves;

(vi) solely to the extent such proceeds are from the realization or enforcement of the Topco Shared Security and any guarantees provided by a Topco Guarantor that is a member of the Senior Secured Group or Third Party Security Provider in respect of the Topco Liabilities, for application towards the discharge of (A) the Topco Facility Liabilities and liabilities to arrangers thereof, and (B) the Topco Notes Liabilities, on a *pro rata* basis and ranking *pari passu* between themselves;

(vii) if none of the Debtors or Third Party Security Providers is under any further actual or contingent liability under any Debt Document relating to the Senior Secured Liabilities, the Second Lien Liabilities or the Topco Liabilities, in payment to any other person whom the Security Agent is obliged to pay in priority to any Debtor or Third Party Security Provider; and

(viii) the balance, if any, in payment to the relevant Debtor,

provided that, all amounts from time to time received or recovered by the Security Agent from or in respect of a Topco Borrower pursuant to the terms of any Debt Document (other than in connection with the realization or enforcement of the Transaction Security or Topco Independent Transaction Security) shall be held by the Security Agent on trust to apply at any time as the Security Agent sees fit, in the following order of priority:

(A) in accordance with paragraph (i) above;

(B) in accordance with paragraph (ii) above;

(C) in accordance with paragraphs (iii), or (as the case may be) (iv) and (v) above (in each case only to the extent there are liabilities due from the relevant Topco Borrower to such creditors);

(D) if none of the Debtors or Third Party Security Providers is under any further actual or contingent liability under any Secured Debt Document, in payment to any other person whom the Security Agent is obliged to pay in priority to any Debtor or Third Party Security Provider; and

(E) the balance, if any, in payment to the relevant Debtor.

Order of Application—Topco Independent Transaction Security

Subject to certain provisions set out in the Intercreditor Agreement, all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Topco Document in connection with the realization or enforcement of Topco Independent Transaction Security or any guarantees provided by a Topco Guarantor (other than a member of the Senior Secured Group) (the "**Topco Recoveries**") shall be applied at any time as the Security Agent sees fit, in the following order of priority:

(i) in discharging any Agent Liabilities in respect of the Topco Liabilities (to the extent related to such Topco Recoveries), the Security Agent and any receiver or delegate, on a *pari passu* basis;

(ii) in payment of all costs and expenses incurred by any agent or Topco Creditor in connection with any realization or enforcement of the Topco Independent Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;

(iii) for application towards the discharge of:

(A) the Topco Facility Liabilities; and

(B) the Topco Notes Liabilities,

on a *pro rata* basis and ranking *pari passu* between paragraphs (A) and (B) above;

(iv) if none of the Debtors or Third Party Security Providers or Topco Independent Obligors is under any further actual or contingent liability in respect of the Secured Liabilities, in payment to any other person whom the Security Agent is obliged to pay in priority to any Debtor or Third Party Security Provider or Topco Independent Obligor; and

(v) the balance, if any, in payment to the relevant Debtor.

Equalization

The Intercreditor Agreement provides that if, for any reason, any liabilities relating to Super Senior Liabilities, Senior Secured Liabilities, Second Lien Liabilities or Topco Liabilities remain unpaid after the first date on which certain types of Enforcement Action are taken (the "**Enforcement Date**") and the resulting losses are not borne by the creditors in any given specified class in the proportions which their respective exposures at the Enforcement Date bore to the aggregate exposures of all the creditors in that specified class at the Enforcement Date, the relevant class of creditors will make such payments among themselves as the Security Agent shall require to put the relevant creditors in such a position that (after taking into account such payments) those losses are borne in those proportions.

Required Consents

The Intercreditor Agreement provides that, subject to certain exceptions, its terms may be amended or waived only with the consent of the Issuer, the agents and trustees for the Secured Parties, and the Security Agent, provided that, to the extent that an amendment, waiver or consent only affects one class of creditors, and such amendment, waiver or consent could not reasonably be expected materially or adversely to affect the interests of the other classes of creditors, only written agreement from the agent or trustee acting on behalf of the affected class shall be required.

An amendment or waiver of the Intercreditor Agreement that has the effect of changing or which relates to, among other matters, the provisions set out under "*—Application of Proceeds" or* "*—Turnover*" above and the order of priority or subordination under the Intercreditor Agreement shall not be made without the consent of: (i) each of the agents or trustees (acting in accordance with the relevant finance documents) under the Senior Liabilities, the Super Senior Liabilities, the Second Lien Liabilities and the Topco Liabilities, (ii) each Cash Management Facility Lender (only to the extent that the proposed amendment or waiver would materially adversely affect the rights and obligations of such Cash Management Facility Lender under the Intercreditor Agreement and would not materially adversely affect the rights and obligations of any other creditor or class of creditors), (iii) each Hedge Counterparty (only to the extent that the proposed amendment or waiver would materially adversely affect the rights and obligations of such Hedge Counterparty under the Intercreditor Agreement and would not materially adversely affect the rights and obligations of any other creditor or class of creditors), and (iv) the Issuer.

Each agent or trustee shall, to the extent instructed to consent by the requisite percentage of creditors it represents or as otherwise authorized by the Debt Documents to which it is party, act on such instructions or authorizations in accordance therewith (save to the extent any amendments so consented or authorized to relate to any provision affecting the personal rights and obligations of that agent or trustee in its capacity as such).

Amendments and Waivers: Transaction Security Documents

Subject to certain exceptions under the Intercreditor Agreement (as described below) or as permitted by the Debt Documents, (i) the Security Agent may, if the Issuer consents, amend the terms of, release or waive any of the requirements of or grant consents under, any document creating Transaction Security or Topco Independent Transaction Security which shall be binding on each party, (ii) the Security Agent may, if the Issuer consents, amend, release and/or retake any Transaction Security Document where such amendment, release and/or retake is required in order to ensure the validity, perfection or priority of the Transaction Security purported to be created under such Transaction Security Document, together with any related or consequential waiver (including by reason of a failure to register such Transaction Security Document with Companies House within the prescribed time limit set out in section 859 of the Companies Act 2006, in which case the Security Agent shall also irrevocably waive any payment or other obligation or default arising out of such failure to register) and any such amendment, release, waiver and retake shall be binding on each party (iii) to authorize any amendment, release or waiver of, or consent under, any document creating Transaction Security which would adversely affect the nature or scope of the assets subject to Transaction Security or the manner in which the proceeds of enforcement of the Transaction Security or Topco Independent Transaction Security are distributed, prior written consent is required from (i) each of the agents or trustees (acting in accordance with the relevant finance documents) under the Senior Liabilities, the Super Senior Liabilities, the Second Lien Liabilities and the Topco Liabilities, (ii) each Cash Management Facility Lender (only to the extent that the proposed amendment or waiver would materially adversely affect the rights and obligations of such Cash Management Facility Lender under the Intercreditor Agreement and would not materially adversely affect the rights and obligations of any other creditor or class of creditors), (iii) each Hedge Counterparty (only to the extent that the proposed amendment or waiver would materially adversely affect the rights and obligations of such Hedge Counterparty under the Intercreditor Agreement and would not materially adversely affect the rights and obligations of any other creditor or class of creditors), and (iv) the Issuer.

Exceptions

Subject to the paragraph below, an amendment, waiver or consent which relates to the rights or obligations which are personal to an agent, an arranger or the Security Agent in its capacity as such (including, without limitation, any ability of that Security Agent to act in its discretion under the Intercreditor Agreement) may not be effected without the consent of that agent, arranger or, as the case may be, Security Agent.

The preceding paragraph and the first paragraph above under "*—Amendments and Waivers: Transaction Security Documents*" are subject to certain exceptions under the Intercreditor Agreement, relating in particular to (i) any release of Transaction Security, claim or liabilities, or (ii) to any amendment waiver or consent, which, in each case, the Security Agent gives in accordance with the provisions of the Intercreditor Agreement relating to the incurrence of additional or refinancing debt or the provisions set out under "*—New Debt Financings,*" "*—Non-Distressed Disposals*" and "*—Distressed Disposals*" above. Any release, amendment, waiver or consent effected in accordance with the relevant provisions of the Debt Documents relating to such matters can be effected solely by the Issuer and the Security Agent.

Snooze/Lose

If in relation to a request for a consent, to participate in a vote of a class of creditors, to approve any action or to provide any confirmation or notification, in each case, under the Intercreditor Agreement or another applicable agreement (but excluding any indenture), any creditor fails to respond to the request within ten Business Days (or any other period of time notified by the Issuer, with the agreement of each of the agents or trustee in the case of a shorter period of time) or fails to provide details of its credit participation, such creditor will be disregarded or be deemed to have zero participation in respect of the matter or be deemed to have provided the relevant confirmation or notification, as applicable.

Provisions Following an IPO

Following an initial public offering of a member of the Senior Secured Group (or a holding company thereof) (an "**IPO**"), the Issuer is entitled to give notice that the terms of the Debt Documents will automatically operate so that, among other things, (i) the Senior Secured Group (and all related provisions) will now refer to the member of the Senior Secured Group or holding company of the Issuer who will issue shares or whose shares are to be sold pursuant to such IPO (the "**IPO Pushdown Entity**," and if any Topco Notes are not refinanced in full on or before the date of such IPO, the IPO

Pushdown Entity shall be the Topco Borrower) and its Restricted Subsidiaries, (ii) all financial ratio calculations shall be made excluding any holding company of the IPO Pushdown Entity, (iii) certain provisions of the Debt Documents (including representations, undertakings and events of default) will cease to apply to any holding company of the IPO Pushdown Entity.

Each holding company of the IPO Pushdown Entity shall be released from all obligations under the Debt Documents (including any Transaction Security) and each Subordinated Creditor, Third Party Security Provider, Investor (as defined in each of the Super Senior Facilities Agreements) or Topco Independent Obligor will be released from its obligations and restrictions under the Intercreditor Agreement in the appropriate capacity.

Subject to the consent of the majority lenders under and as defined in the Senior Lender Liabilities, noteholders representing more than 50.0% of any Senior Secured Notes Liabilities, the majority lenders under and as defined in any Second Lien Facility Agreement, noteholders representing more than 50.0% of any Second Lien Notes Liabilities, the majority lenders under and as defined in any Topco Facility and noteholders representing more than 50.0% of any Topco Notes Liabilities (following the relevant IPO), the Issuer and each subsidiary of the Issuer shall also be released from all obligations as Debtor and guarantor under the Debt Documents and from the Transaction Security or Topco Independent Transaction Security (other than, in each case, borrowing liabilities). Each party to the Intercreditor Agreement shall be required to enter into any amendment, release or replacement of any Debt Document required to facilitate such matters.

Agreement to Override

To the extent any step or action is expressly permitted under the Intercreditor Agreement (or permitted subject to the consent of specified parties under the Intercreditor Agreement), the parties agree that such step or action will be permitted under the other Debt Documents (or permitted thereunder subject to the consent of such specified parties) and if there is any conflict between the terms of, or the requirement for any conditions in, the Intercreditor Agreement and any other Debt Document, the terms of, or the requirement for any conditions in, the Intercreditor Agreement will prevail (save to the extent that to do so would result in or have the effect of any member of the Group contravening any applicable law or regulation, or present a material risk of liability for any member of the Group and/or its directors or officers, or give rise to a material risk of breach of fiduciary or statutory duties), in each case notwithstanding any restriction or prohibition to the contrary, any provision expressed or purported to override any provision of the Intercreditor Agreement or the requirement to fulfil any additional conditions, in each case, in any other Debt Document.

Existing Company Indebtedness

Other than as specifically described below, all of the financing arrangements described below contain change of control provisions that, in conjunction with the Transactions, have been amended such that the change of control thereunder has been waived until the earlier of (i) a Delisting or (ii) May 31, 2021. As the Issuer indirectly owns more than two-thirds of the Outstanding Company Shares, the Issuer expects that the change of control clauses will be triggered either through the Delisting or the Delisting Merger. It is expected that all such financing arrangements will be refinanced with proceeds of the Notes and/or debt under the Senior Secured Bridge Facility Agreement.

The Existing US Private Placements of the Company

I.M.A. Industria Macchine Automatiche S.p.A. $50,000,000 Amortizing Senior Notes due 2023

On February 21, 2013 the Company executed a note purchase agreement, as subsequently amended (the "**2013 Notes Purchase Agreement**"), pursuant to which it issued $50.0 million senior amortizing notes due February 21, 2023 (the "**2023 Notes**"), which were subscribed by three companies of the Pricoa Capital Group (i.e., the Prudential Insurance Company of America, the Prudential Retirement Insurance and Annuity Company and the Pruco Life Insurance Company). The interest payable on the notes will be (i) 6.75% per annum if the Consolidated Net Financial Position to Consolidated EBITDA for the Relevant Period ended immediately prior to the commencement of such Interest Period is greater than or equal to 2.00:1 but less than or equal to 3.00:1; or (ii) at all other times, 6.25% per annum. The 2023 Notes are not guaranteed.

Covenants

The terms and conditions of the 2023 Notes contain certain affirmative and negative covenants, as well as financial covenants. Below is a brief description of such covenants, which are all subject to customary materiality, actual knowledge or other qualifications, exceptions and baskets.

Affirmative Covenants

The affirmative covenants concern, *inter alia*: (i) maintenance of certain insurance policies;(ii) maintenance of properties; (iii) the payment of taxes and claims; (iv) the additional of Subsidiary Guarantors, (v) most favored lender provisions; and (vi) partial repayment of the 2023 Notes in the event Stephan Machinery GmbH and IMA Kilian GmbH & Co KG are sold by the Company.

Negative Covenants

The negative covenants include, *inter alia*, restrictions on: (i) transactions with affiliates; (ii) certain mergers and sales of assets; (iii) granting of liens; (iv) priority indebtedness; and (v) changing the general nature of the business.

Financial Covenants

The 2023 Notes Purchase Agreement contains certain financial covenants, including:

- The Company will not permit the ratio of Consolidated Net Financial Position to Consolidated Net Worth to be greater than an established threshold, as of any determination date.
- The Company will not permit the ratio of Consolidated Net Financial Position to Consolidated EBITDA as of any determination date to be greater than an established threshold; and will not permit the ratio of Consolidated Gross Financial Position to Consolidated EBITDA to be greater than an established threshold.
- The Company will not permit the ratio of Consolidated EBITDA to Consolidated Net Interest Charges as of any determination date to be less than an established threshold.

As of June 30, 2020, the Company was in full compliance with the above covenants.

Events of default

The 2023 Notes Purchase Agreement contains events of default that are customary for such an agreement, all of which are subject to customary materiality and other qualifications, exceptions, baskets or grace periods, as appropriate.

Governing Law

The 2023 Notes Purchase Agreement is governed by New York law.

The Existing Euro Private Placements of the Company and its Subsidiaries

IMA Industria Macchine Automatiche S.p.A. €40,000,000 1.637% Notes due 2021 and €40,000,000 4.375% Notes due 2024

On May 9, 2014 the Company executed a note purchase agreement (the "**2014 Notes Purchase Agreement**") pursuant to which it issued €40.0 million due May 13, 2029, subsequently postponed to May 13, 2024 pursuant to a bondholders' meeting resolution dated January 19, 2018 (the "**2024 Notes**") and €40.0 million 4 notes due May 13, 2021 (the "**2021 Notes**", together with the 2024 Notes, the "**2014 Notes**") which were subscribed by UniCredit Bank AG and Mediobanca—Banca di Credito Finanziario S.p.A. The interest payable on the notes will be (i) 1.637% for the 2021 Notes; and (ii) 4.375% for the 2024 Notes. The 2021 Notes and the 2024 Notes are not guaranteed.

Covenants

The terms and conditions of the 2014 Notes contain certain affirmative and negative covenants, as well as financial covenants. Below is a brief description of such covenants, which are all subject to customary materiality, actual knowledge or other qualifications, exceptions and baskets.

Affirmative Covenants

The affirmative covenants concern, *inter alia*: (i) compliance with law; (ii) insurance; (iii) maintenance of properties; (iv) payment of taxes; (v) corporate existence; (vi) lines of business; and (vii) *pari passu* ranking.

Negative Covenants

The negative covenants include, *inter alia*, restrictions on: (i) changes to the general nature of business of the borrower; (ii) certain changes to the by-laws of the borrower; (iii) negative pledge; and (iv) incurring additional indebtedness, save for limited exceptions.

Financial Covenants

The 2014 Notes Purchase Agreement contains certain financial covenants, including:

- The Company will not permit the ratio of Consolidated Net Financial Position to Consolidated Net Worth to be greater than an established threshold as of any determination date.
- The Company will not permit the ratio of Consolidated Net Financial Position to Consolidated EBITDA as of any determination date to be greater than an established threshold; and will not permit the ratio of Consolidated Gross Financial Position to Consolidated EBITDA to be greater than an established threshold.
- The Company will not permit the ratio of Consolidated EBITDA to Consolidated Net Interest Charges as of any determination date to be less than an established threshold.

As of June 30, 2020, the above covenants have been fully complied with.

Events of default

The 2014 Notes Purchase Agreement contains the following events of default, which are all subject to customary materiality and other qualifications, exceptions, baskets and/or grace periods, as appropriate.

Governing Law

The 2014 Notes Purchase Agreement is governed by English law.

IMA Industria Macchine Automatiche S.p.A. €50,000,000 1.923% Notes due 2026

On June 25, 2019, the Company executed a fiscal agency agreement (the "**2026 Agreement**") with respect to €50.0 million 1.923% fixed rate notes due June 25, 2026 (the "**2026 Notes**") which were subscribed by UniCredit Bank AG, Milan Branch as sole manager. The 2026 Notes are not guaranteed.

Covenants

The terms and conditions of the 2026 Notes contain certain negative covenants as well as financial covenants. Below is a brief description of such covenants, which are all subject to customary materiality, actual knowledge or other qualifications, exceptions and baskets.

Negative Covenants

The negative covenants include, *inter alia*, restrictions on the ability of the issuer and its material subsidiaries to secure any indebtedness without at the same time or prior thereto (i) securing the 2026 Notes equally and ratably therewith or (ii) providing such other security for the 2026 Notes as may be approved by an extraordinary resolution of the noteholders.

Financial Covenants

The 2026 Agreement contains certain financial covenants, including:

- The Company will not permit the ratio of Consolidated Net Financial Position to Consolidated Net Worth (determined as of each determination date) to be greater than an established threshold.

- The Company will not permit the ratio of Consolidated Net Financial Position to Consolidated EBITDA for the Relevant Period ending as of such determination date to be greater than an established threshold; and the ratio of Consolidated Gross Financial Position to Consolidated EBITDA for the Relevant Period ending as of such determination date to be greater than an established threshold.
- The Company will not permit the ratio of Consolidated EBITDA to Consolidated Net Interest Charges as of any determination date to be less than an established threshold.

As of June 30, 2020, the Company was in full compliance with the above covenants.

Events of default

The 2026 Agreement contains the following events of default, which are all subject to customary materiality and other qualifications, exceptions, baskets and/or grace periods, as appropriate, including: (i) non-payment of principal and interest on the 2026 Notes; (ii) breach of other obligations under the agreement; (iii) cross-default by the issuer or any subsidiary; and (iv) insolvency.

Governing Law

The 2026 Agreement is governed by English law.

<u>The Company's (and its subsidiaries') other bilateral or multilateral indebtedness</u>

2019 Senior Facility Agreement

On June 26, 2019 the Company, as borrower entered into a senior facility agreement (the "**2019 Senior Facility Agreement**") with UniCredit S.p.A., Crédit Agricole Italia S.p.A., Crédit Agricole Corporate and Investment Bank, BPER Banca S.p.A. and Banco BPM S.p.A. (together the "**2019 Mandated Lead Arrangers**"), the financial institutions named therein as original lenders and UniCredit S.p.A., Milan Branch as agent for an amount equal to €180.0 million (the "**2019 Senior Facility**").

Maturity and Repayment Requirements

The 2019 Senior Facility will be repaid in semi-annual installments starting from December 31, 2019. The maturity date of the 2019 Senior Facility Agreement is June 30, 2014.

Interest Rate

The 2019 Senior Facility Agreement bears an interest rate equal to EURIBOR relating to the relevant interest periods plus a margin of 160 basis points per annum. Interest is payable semi-annually in arrears starting from the utilization date.

Covenants

The 2019 Senior Facility Agreement contains certain affirmative and negative covenants, as well as financial covenants. Set forth below is a brief description of such covenants, all of which are subject to customary materiality, actual knowledge or other qualifications, exceptions and baskets.

<u>Affirmative Covenants</u>

The affirmative covenants concern, *inter alia*: (i) powers and authorizations; (ii) providing certain financial information, including annual audited financial statements and compliance certificates; (iii) compliance with laws; (iv) payment of taxes; and (v) maintenance of *pari passu* ranking.

<u>Negative Covenants</u>

The negative covenants include, *inter alia,* restrictions on: (i) changes to the general nature of business of the borrower; (ii) certain changes to the by-laws of the borrower; (iii) negative pledge; and (iv) incurring additional indebtedness, save for limited exceptions.

Financial Covenants

The 2019 Senior Facility Agreement contains certain financial covenants, including:

- The Company will not permit the ratio of Consolidated Net Financial Position to Consolidated EBITDA to be less than an established threshold; and
- The Company will not permit the ratio of Consolidated EBITDA to Consolidated Net Interest Charges to be greater than an established threshold.

As of June 30, 2020, the above covenants have been fully complied with.

Events of Default

The 2019 Senior Facility Agreement contains events of default that are customary for such financings, all of which are subject to customary materiality and other qualifications, exceptions, baskets and/or grace periods, as appropriate, including, *inter alia*: (i) failure to pay any principal or interest when due; (ii) failure to comply with certain provisions of the 2020 Secured Facility Agreement;(iii) representations and warranties found to be incorrect in any material respect; (iv) breach of financial covenants; and (v) the documents necessary for the acquisition of Atop S.p.A. are null and void.

Governing Law

The 2019 Senior Facility Agreement is governed by Italian law.

Intesa Sanpaolo S.p.A. and Cassa Depositi e Prestiti S.p.A. Facility Agreements

On December 21, 2011 the Company, as borrower and as guarantor, before the merger with IMA Life S.r.l., entered into two term loan facility agreements (the "**Intesa-CDP Facility Agreements**") with Intesa Sanpaolo S.p.A. and Cassa Depositi e Prestiti S.p.A. (together the "**Intesa-CDP Mandated Lead Arrangers**"), the financial institutions named therein as original lenders and Intesa Sanpaolo S.p.A. c/o Mediocredito Italiano S.p.A.—Agevolazioni e Ricerca Applicata as agents for an amount equal to €7.4, and €0.8 million, respectively. The Intesa-CDP Loans are composed of: (i) two bank loans from Intesa Sanpaolo S.p.A. of €0.8 million and €0.09 million respectively ("**Intesa Bank Loans**") and (ii) two subsidized-loans from Cassa Depositi e Prestiti S.p.A. of €6.6 million and €0.8 million respectively (the "**CDP Subsidized-loans**" together with the Intesa Bank Loans "**Intesa-CDP Loans**").

The change of control waiver obtained in relation to the other financing arrangements listed under *"—Existing Company Indebtedness"* does not apply to the Intesa-CDP Loans.

Maturity and Repayment Requirements

The Intesa-CDP Loans will be repaid in semi-annual installments starting from December 31, 2011. The maturity date of the Intesa-CDP First Facility Agreement is June 30, 2021.

Interest Rate

The Intesa-CDP Facility Agreements bear an interest rate equal to: (i) 0.5% per annum for the CDP Subsidized-Loans; and (ii) 7.0% plus six-month EURIBOR for the Intesa Bank Loans per annum. Interest is payable semi-annually in arrears starting from the utilization date.

Covenants

The Intesa-CDP Facility Agreements contain certain affirmative and negative covenants Set forth below is a brief description of such covenants, all of which are subject to customary materiality, actual knowledge or other qualifications, exceptions and baskets.

Affirmative Covenants

The affirmative covenants concern, *inter alia*: (i) powers and authorizations; (ii) compliance with laws; (iii) payment of taxes; (iv) maintenance of *pari passu* ranking; and (v) truthfulness, correctness and completeness of all information provided to the lender.

Negative Covenants

The negative covenants include, *inter alia*, restrictions on: (i) entering into other facility agreements different from the Intesa-CDP Facility Agreements for the financing of the Development Plan; and (ii) certain sales of assets that would materially decrease the Company's assets.

Events of Default

The Intesa-CDP Facility Agreements contains events of default that are customary for such financings, all of which are subject to customary materiality and other qualifications, exceptions, baskets and/or grace periods, as appropriate, including, *inter alia*: (i) failure to pay any principal or interest when due; (ii) failure to comply with certain provisions of the Intesa-CDP Facility Agreements; (iii) representations and warranties found to be incorrect in any material respect; (iv) insolvency proceedings; (v) cross default with other financial indebtedness; and (vi) occurrence of material adverse changes.

Governing Law

The Intesa-CDP Facility Agreements are governed by Italian law.

Banca Nazionale del Lavoro Term Facility Agreement

On April 27, 2018, the Company, as borrower and Banca Nazionale del Lavoro S.p.A., Bologna branch, as lender, entered into a term facility agreement (the "**Banca Nazionale del Lavoro Term Facility Agreement**"), pursuant to which the lender made available a term loan for an amount equal to €80.0 million (the "**Banca Nazionale del Lavoro Term Facility**").

Maturity and Repayment Requirements

The Banca Nazionale del Lavoro Term Facility will be repaid by the maturity date of the Banca Nazionale del Lavoro Term Facility (*i.e.*, April 27, 2022).

Interest Rate

The Banca Nazionale del Lavoro Term Facility bears an interest rate equal to six-month EURIBOR plus a margin of 75 basis points per annum. Interest is payable semi-annually in arrears starting from the utilization date.

Covenants

The Banca Nazionale del Lavoro Term Facility Agreement contains certain affirmative and negative covenants, as well as financial covenants. Set forth below is a brief description of such covenants, all of which are subject to customary materiality, actual knowledge or other qualifications, exceptions and baskets.

Affirmative Covenants

The affirmative covenants concern, *inter alia*: (i) powers and authorizations; (ii) maintenance of material assets; (iii) providing certain financial information, including annual audited financial statements and compliance certificates; (iv) compliance with laws; (v) payment of taxes; and (vi) maintenance of certain insurance policies.

Negative Covenants

The negative covenants include, *inter alia*, restrictions on: (i) changes to the general nature of business of the borrower; (ii) certain changes to the by-laws of the borrower; (iii) negative pledge; and (iv) entering into derivative contracts for speculative purposes.

Financial Covenants

The Banca Nazionale del Lavoro Term Facility Agreement contains certain financial covenants, including:

- The Company will not permit the ratio of Consolidated Net Financial Position to Consolidated EBITDA to be greater than an established threshold; and will not permit the ratio of Consolidated Gross Financial Position to Consolidated EBITDA to be greater than an established threshold; and
- The Company will not permit the ratio of Consolidated Net Financial Position to Consolidated Net Worth to be greater than an established threshold.

As of June 30, 2020, the above covenants have been fully complied with.

Events of Default

The Banca Nazionale del Lavoro Term Facility Agreement contains events of default that are customary for such financings, all of which are subject to customary materiality and other qualifications, exceptions, baskets and/or grace periods, as appropriate, including, *inter alia*: (i) failure to pay any principal or interest when due; (ii) failure to comply with certain provisions of the Banca Nazionale del Lavoro Term Facility Term Agreement; (iii) representations and warranties found to be incorrect in any material respect; (iv) breach of financial covenants; (v) insolvency proceedings; (vi) cross default with other financial indebtedness; and (vii) occurrence of material adverse changes.

Governing Law

The Banca Nazionale del Lavoro Term Facility Agreement is governed by Italian law.

Mediobanca Term Facility Agreement

On May 16, 2019, the Company, as borrower and Mediobanca—Banca di Credito Finanziario S.p.A., Milan branch, as lender, entered into a senior facility agreement (the "**Mediobanca Term Facility Agreement**"), pursuant to which the lender made available a senior loan for an amount equal to €40.0 million (the "**Mediobanca Term Facility**").

Maturity and Repayment Requirements

The Mediobanca Term Facility will be repaid by the maturity date of the Mediobanca Term Facility Agreement (*i.e.*, May 16, 2025).

Interest Rate

The Mediobanca Term Facility bears equal to six-month EURIBOR plus a margin of 1.725 basis points per annum. Interest is payable semi-annually in arrears from the utilization date.

Covenants

The Mediobanca Term Facility Agreement contains certain affirmative and negative covenants, as well as financial covenants. Set forth below is a brief description of such covenants, all of which are subject to customary materiality, actual knowledge or other qualifications, exceptions and baskets.

Affirmative Covenants

The affirmative covenants concern, *inter alia*: (i) powers and authorizations; (ii) maintenance of material assets; (iii) providing certain financial information, including annual audited financial statements and compliance certificates; (iv) compliance with laws; (v) payment of taxes; and (vi) maintenance of *pari passu* ranking.

Negative Covenants

The negative covenants include, *inter alia*, restrictions on: (i) changes to the general nature of business of the borrower; (ii) certain changes to the by-laws of the borrower; (iii) negative pledge; and (iv) entering into derivative contracts for speculative purposes.

Financial Covenants

The Mediobanca Term Facility Agreement contains certain financial covenants, including:

- The Company will not permit the ratio of Consolidated Net Financial Position to Consolidated EBITDA to be greater than an established threshold; and will not permit the ratio of Consolidated Gross Financial Position to Consolidated EBITDA to be greater than an established threshold; and
- The Company will not permit the ratio of Consolidated Net Financial Position to Consolidated Net Worth to be greater than an established threshold.

As of June 30, 2020, the above covenants have been fully complied with.

Events of Default

The Mediobanca Term Facility Agreement contains events of default that are customary for such financings, all of which are subject to customary materiality and other qualifications, exceptions, baskets and/or grace periods, as appropriate, including, *inter alia*: (i) failure to pay any principal or interest when due; (ii) failure to comply with certain provisions of the Mediobanca Term Facility Term Agreement; (iii) representations and warranties found to be incorrect in any material respect; (iv) breach of financial covenants; (v) insolvency proceedings; (vi) cross default with other financial indebtedness; and (vii) occurrence of material adverse changes.

Governing Law

The Mediobanca Term Facility Agreement is governed by Italian law.

UniCredit Term Facility Agreement

On April 27, 2018, the Company, as borrower and UniCredit S.p.A., Milan branch, as lender, entered into a term facility agreement (the "**UniCredit Term Facility Agreement**"), pursuant to which the lender made available a term loan for an amount equal to €90.0 million (the "**UniCredit Term Facility**").

Maturity and Repayment Requirements

The UniCredit Term Facility will be repaid by the maturity date of the UniCredit Term Facility Agreement (*i.e.*, April 27, 2023).

Interest Rate

The UniCredit Term Facility bears an interest rate equal to six-month EURIBOR plus a margin of 85 basis points per annum. Interest is payable semi-annually in arrears starting from the utilization date.

Covenants

The UniCredit Term Facility Agreement contains certain affirmative and negative covenants, as well as financial covenants. Set forth below is a brief description of such covenants, all of which are subject to customary materiality, actual knowledge or other qualifications, exceptions and baskets.

Affirmative Covenants

The affirmative covenants concern, *inter alia*: (i) powers and authorizations; (ii) providing certain financial information, including annual audited financial statements and compliance certificates; and (iii) compliance with laws.

Negative Covenants

The negative covenants include, *inter alia*, restrictions on: (i) changes to the general nature of business of the borrower; (ii) certain changes to the by-laws of the borrower; and (iii) negative pledge.

Financial Covenants

The UniCredit Term Facility Agreement contains certain financial covenants, including:

- The Company will not permit the ratio of Consolidated Net Financial Position to Consolidated EBITDA to be greater than an established threshold; and
- The Company will not permit the ratio of Consolidated EBITDA to Consolidated Net Interest Charges to be less than an established threshold.

As of June 30, 2020, the above covenants have been fully complied with.

Events of Default

The UniCredit Term Facility Agreement contains events of default that are customary for such financings, all of which are subject to customary materiality and other qualifications, exceptions, baskets and/or grace periods, as appropriate, including, *inter alia*: (i) failure to pay any principal or interest when due; (ii) failure to comply with certain provisions of the UniCredit Term Facility Term Agreement; (iii) representations and warranties found to be incorrect in any material respect; (iv) breach of financial covenants; (v) insolvency proceedings; (vi) cross default with other financial indebtedness; and (vii) occurrence of material adverse changes.

Governing Law

The UniCredit Term Facility Agreement is governed by Italian law.

UniCredit 2018 Loan Agreement

On April 26, 2018, SOFIMA, as borrower and UniCredit S.p.A., Bologna and Milan branch, as lender, entered into a loan agreement, as amended on June 18, 2020 (the "**2018 UniCredit Loan Agreement**"), pursuant to which the lender made available a loan for an amount equal to €130.0 million ("**2018 UniCredit Facility Original Line**") and an additional facility for an aggregate amount equal to €42.0 million (the "**2018 UniCredit Facility Additional Line**", together with the 2018 UniCredit Facility Original Line, the "**2018 UniCredit Facility**"). The 2018 UniCredit Facility is guaranteed by a pledge over the Outstanding Company Shares.

Maturity and Repayment Requirements

The 2018 UniCredit Loan Agreement will be repaid in three installments: (i) €10.0 million as of June 30, 2019; (ii) €55.0 million as of June 30, 2022; and (iii) €65.0 million as of June 30, 2023. The maturity date of the 2020 UniCredit Loan Agreement is June 30, 2023.

Interest Rate

The 2018 UniCredit Loan Agreement bears an interest rate equal to six-month EURIBOR plus a margin, as set out below:

Ratio of Consolidated Net Financial Position to Consolidated EBITDA:	Margin (in basis points)
Less than 1.5:1:	135
Less than 2:1 but greater than or equal to 1.5:1	150
Less than 2.5:1 but greater than or equal to 2:1	195
Greater than 2.5:1	225

Starting from June 18, 2020 until the repayment of the of the 2018 UniCredit Facility Additional Line the 2018 UniCredit Loan Agreement bears an interest rate equal to six-month EURIBOR plus a margin of: (i) 225 basis points per annum for the 2018 UniCredit Facility Original Line; and (ii) of 195 basis points per annum for the 2018 UniCredit Facility Additional Line. Interest is payable semi-annually starting from the utilization date.

Covenants

The 2018 UniCredit Loan Agreement contains certain affirmative and negative covenants, as well as financial covenants. Set forth below is a brief description of such covenants, all of which are subject to customary materiality, actual knowledge or other qualifications, exceptions and baskets.

Affirmative Covenants

The affirmative covenants concern, *inter alia*: (i) providing certain financial information; (ii) powers and authorizations; (iii) maintenance of material assets; (iv) providing certain financial information, including annual audited financial statements, interim reports and compliance certificates; (v) compliance with laws; (vi) payment of taxes; and (vii) maintenance of *pari passu* ranking.

Negative Covenants

The negative covenants include, *inter alia*, restrictions on: (i) changes to the general nature of business of the borrower; (ii) certain changes to the by-laws of the borrower; and (iii) negative pledge.

Financial Covenants

The 2018 UniCredit Loan Agreement contains the certain financial covenants, including:

- SOFIMA will not permit the ratio of Consolidated Net Financial Position to Consolidated EBITDA to be less than an established threshold; and
- SOFIMA will not permit the ratio of Consolidated EBITDA to Consolidated Net Interest Charges to be less than an established threshold.

As of June 30, 2020, the above covenants have been fully complied with.

Events of Default

The 2018 UniCredit Loan Agreement contains events of default that are customary for such financings, all of which are subject to customary materiality and other qualifications, exceptions, baskets and/or grace periods, as appropriate, including, *inter alia*: (i) failure to pay any principal or interest when due; (ii) failure to comply with certain provisions of the 2018 UniCredit Loan Agreement; (iii) representations and warranties found to be incorrect in any material respect; (iv) breach of financial covenants; (v) insolvency proceedings; (vi) cross default with other financial indebtedness; and (vii) occurrence of material adverse changes.

Governing Law

The 2018 UniCredit Loan Agreement is governed by Italian law.

MCC Loan

On July 6, 2016 the Ministry a decree, as amended by a further decree on October 10, 2017, in connection with a €8.8 million subsidized loan and two contributions to expenses, for an amount of €1.7 million and €0.9 million respectively, granted to the Company by Mediocredito Centrale S.p.A. (the "**MCC Loan**") together with two drawdown notices respectively dated: (i) May 10, 2018, for an amount of €2.1 million; and (ii) May 13, 2019, for an amount of €2.9 million. The MCC Loan will be repaid in 16 equal semi-annual installments falling on June 30 and December 31 of each year including an interest rate of 0.8%.

Short term and bilateral credit facilities

The Company has entered into certain short term facilities agreements (including, among others, bank overdrafts, trade credit facilities and guarantee facilities, short term loans, currency forwards) with various financial institutions. These are often provided on an uncommitted basis and may be repayable on demand.

DESCRIPTION OF THE NOTES

Unless the context otherwise requires, in this "Description of the Notes," (i) the "Issuer" refers only to Sofima Holding S.p.A., and any successor obligor of Sofima Holding S.p.A. in respect of the Notes, and not to any of its Subsidiaries and (ii) the "Notes" also refers to "book-entry interests" in the Notes. You will find definitions of certain capitalized terms used in this "Description of the Notes" under the heading "—Certain Definitions."

The following is a description of the €450.0 million in aggregate principal amount of Senior Secured Floating Rate Notes due 2028 (the "*Floating Rate Notes*") and the €830.0 million in aggregate principal amount of 3.75% Senior Secured Fixed Rate Notes due 2028 (the "*Fixed Rate Notes*," and together with the Floating Rate Notes, the "*Notes*"). The Notes will be issued by Sofima Holding S.p.A., a joint stock company (*società per azioni*) organized and existing under the laws of the Republic of Italy and registered with the Chamber of Commerce of Bologna under registration number, fiscal code and VAT number 03889841205 (the "*Issuer*"), under an indenture to be dated as of the Issue Date (the "*Indenture*"), among, *inter alios*, the Issuer, IMA BidCo S.p.A. ("*BidCo*"), the direct parent entity of the Issuer ("*Topco*"), Lucid Trustee Services Limited, as security agent and legal representative (*mandatario con rappresentanza*) under the Indenture (in such capacity, the "*Security Agent*") and as representative (*rappresentante*) pursuant to and for purposes set forth under Article 2414-*bis*, paragraph 3, of the Italian Civil Code (in such capacity, the "*Security Representative*"), BNY Mellon Corporate Trustee Services Limited, as trustee (in such capacity, the "*Trustee*"), The Bank of New York Mellon, London Branch, as paying agent and calculation agent, The Bank of New York Mellon SA/NV, Dublin Branch, as registrar and transfer agent and The Bank of New York Mellon SA/NV, Luxembourg Branch, as listing agent, in a private transaction that is not subject to the registration requirements of the Securities Act. See "*Notice to U.S. Investors*" and "*Notice to Certain Other Investors*." The Issuer (or its successor) may undertake, among other mergers, (i) the Target Merger and/or (ii) the Debt Push Merger, in which case the Issuer may change, subsequent to the Target Merger or the Debt Push Merger, to Target MergerCo, or Debt Push MergerCo, respectively. The Indenture will not be qualified under, incorporate provisions by reference to, or otherwise be subject to, the Trust Indenture Act. The terms of the Notes include those stated in the Indenture, and Holders are referred to the Indenture for a statement thereof.

Pending the consummation of the Transactions, and the satisfaction of certain other conditions as described below, following the repayment in full of outstanding amounts under the Bridge Facility, an amount equal to the gross proceeds of the offering of the Floating Rate Notes and Fixed Rate Notes, *less* any amounts used to repay the Bridge Facility on the Issue Date and to pay certain fees in relation to the Offering, will be deposited into segregated escrow accounts (the "*Escrow Accounts*") pursuant to the terms of an escrow agreement (the "*Escrow Agreement*") dated as of the Issue Date among the Issuer, the Trustee, Citibank, N.A., London Branch, as escrow agent (the "*Escrow Agent*") and the issuing banks and the fronting banks under the Bridge Facility (or an agent on their behalf), in the name of the Issuer but controlled by the Escrow Agent and pledged in favor of the Trustee on behalf of the holders of the Floating Rate Notes and the Fixed Rate Notes, respectively. At any time following the Issue Date, the Issuer may elect, in its sole discretion, to redeem Notes in an amount equal to the Escrowed Property (as defined below) remaining in the Escrow Accounts at a price equal to 100% of the initial issue price of the Notes redeemed *plus* accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to, but excluding, the Special Redemption Date (as defined below). See "—*Escrow of Proceeds; Special Prepayment*".

Upon release from escrow (on one or more occasions), the remaining gross proceeds from the Offering will be used, together with the proceeds of the Parent Notes and the Equity Contribution, to (i) make over-the-counter purchases of all shares authorized and issued by the Target, excluding treasury shares by Bidco (if any); (ii) purchase shares under the MTO Acquisition, including purchase shares under the Sell-Out or Squeeze-Out Acquisition (or to fund the payment of any purchases pursuant to Withdrawal Rights); (iii) repay existing debt of, and funding of certain net working capital and cash and cash equivalents on balance sheet of, the Company and its subsidiaries; and (iv) pay any costs, fees and/or expenses related to the Transactions. See "*Summary—The Transactions*" and "*Use of Proceeds.*"

The Indenture will be unlimited in aggregate principal amount, of which €450.0 million in aggregate principal amount of Floating Rate Notes and €830.0 million in aggregate principal amount of Fixed Rate Notes will be issued in the offering of the Notes hereby. We may, subject to applicable law and certain other conditions, issue an unlimited principal amount of additional notes having substantially identical terms and conditions as the Notes (any such additional Floating Rate Notes, the "*Additional Floating Rate Notes*" and any such additional Fixed Rate Notes, the "*Additional Fixed Rate Notes*," and together, the "*Additional Notes*"). We are permitted to issue Additional Notes in compliance with the covenants contained in the Indenture, including the covenants restricting the Incurrence of Indebtedness and the Incurrence of Liens (as described below under "*—Certain Covenants—Limitation on Indebtedness*" and "*—Certain Covenants—Limitation on Liens*"). Except as otherwise provided for in the Indenture, the Notes issued in the offering of the Notes pursuant to this Offering Memorandum and, if issued, any Additional Notes, will be treated as a single class for all purposes under the Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase and all other matters which are not specifically distinguished for such series; *provided* that if the Additional Notes are not fungible (for U.S. federal income tax purposes and Italian tax purposes) with the Notes originally issued pursuant to this Offering Memorandum, such Additional Notes will be issued with a separate ISIN code, common code or other identifying number, as applicable, from the Notes originally issued. Unless otherwise excluded, in this "*Description of the Notes*," references to the "*Notes*" include the Floating Rate Notes, Fixed Rate Notes and any Additional Notes that are actually issued under the Indenture.

The Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements (as defined below), and in the case of certain conflicts between the terms of the Indenture and the Intercreditor Agreement, the terms of the Intercreditor Agreement will prevail. The terms of the Intercreditor Agreement are important to understanding the relative ranking of indebtedness and security, the ability to make payments in respect of the indebtedness, procedures for undertaking enforcement actions, subordination of certain indebtedness, turnover obligations, release of security and guarantees, terms relating to certain IPO debt pushdowns and the payment waterfall for amounts received by the Security Agent. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" for a description of certain terms of the Intercreditor Agreement.

This "*Description of the Notes*" is intended to be an overview of the material provisions of the Notes, the Notes Guarantees, the Indenture, the Escrow Agreement, the Escrow Charge (as defined below), and the Transaction Security Documents. Since this description of the terms of the Notes is only a summary, you should refer to the Notes, the Indenture, the Escrow Agreement, the Escrow Charge and the Transaction Security Documents for complete descriptions of the obligations of the Issuer and the Guarantors and your rights. Copies of such documents are available from us upon written request as described under "*Where You Can Find Additional Information*" in this Offering Memorandum.

The registered Holder of a Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Notes have not been, and will not be, registered under the Securities Act and will be subject to certain transfer restrictions. See "*Notice to U.S. Investors*" and "*Notice to Certain Other Investors.*"

Brief Description of the Notes and the Notes Guarantees

The Notes

The Notes will, upon issuance:

- be general senior obligations of the Issuer, secured as set forth under "*—Security*";
- rank *pari passu* in right of payment to all existing and future senior indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes, including the Revolving Facility, the Guarantee Facility and the Bridge Facility;
- rank senior in right of payment to any future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- be effectively senior to any existing and future indebtedness of the Issuer that is not secured by the Charged Property to the extent of the value of the Charged Property;
- be effectively subordinated to any existing and future indebtedness (including obligations to trade creditors) of the Issuer and its Subsidiaries that is secured by property or assets that do not secure the Notes, to the extent of the value of the property and assets securing such indebtedness;

- be effectively subordinated to any existing or future indebtedness or obligations of the Subsidiaries of the Issuer that are not Guarantors;
- mature on January 15, 2028; and
- be represented by registered Notes in global form, but in certain circumstances may be represented by Definitive Registered Notes (as defined herein) (see "*Book-Entry, Delivery and Form*" in this Offering Memorandum).

Under the terms of the Intercreditor Agreement, in the event of any enforcement of the Charged Property, Holders in respect of the Notes will be treated as *pari passu* among each other, although they will receive proceeds from the enforcement of the Charged Property only after certain obligations entitled to receive proceeds from the enforcement of the Charged Property in priority to the Notes have been repaid in full, including (i) obligations under the Revolving Facility and Guarantee Facility, (ii) certain Hedging Obligations and (iii) certain other super priority Indebtedness Incurred pursuant to the terms of the Indenture that is entitled to receive proceeds of an enforcement of the Charged Property in priority to the Notes.

As of the Issue Date, all of the Subsidiaries of the Issuer will be "Restricted Subsidiaries" for the purposes of the Indenture. However, under the circumstances described below under "*—Certain Covenants—Unrestricted Subsidiary*," we will be permitted to designate certain of our Subsidiaries as "Unrestricted Subsidiaries." Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

As of September 30, 2020, after giving *pro forma* effect to the Transactions and assuming the acquisition of 100% of the shares of the Target, the Issuer and its consolidated subsidiaries would have had €1,441.4 million of consolidated total debt, of which €1,280.0 million is represented by the Notes. See "*Capitalization*." In addition, as of the date of this Offering Memorandum, no amounts are outstanding under the Revolving Facility or the Guarantee Facility. See "*Description of Certain Financing Arrangements.*" Although the Indenture restricts or will restrict the Incurrence of Indebtedness by the Issuer and the Restricted Subsidiaries in excess of the limitations described under "*—Certain Covenants—Limitation on Indebtedness*," such limitations are subject to a number of significant exceptions. Moreover, the Indenture will not impose any limitation on the Incurrence by the Issuer or Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See "*—Certain Covenants—Limitation on Indebtedness*."

The Notes Guarantees

On the Issue Date, subject to the limitations described herein, the Agreed Security Principles and the Intercreditor Agreement the Notes will be guaranteed on a senior basis by BidCo. None of the Issuer's other Subsidiaries are required to provide a Notes Guarantee on the Issue Date. The obligations of the Issuer pursuant to the Notes will also be guaranteed (the "*Notes Guarantees*"), jointly and severally on a senior basis by each subsidiary of the Issuer that is a guarantor under the Revolving Facility (BidCo, together with any additional Restricted Subsidiary that may provide a Note Guarantee from time to time, the "*Guarantors*"). The Notes Guarantees will be subject to the limitations described under "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Law Considerations*" and "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The Guarantees of IMA Bidco and any further Italian Guarantor are limited by the Indenture and each of the Guarantees is furthermore significantly limited by applicable laws and subject to certain limitations and defenses*."

The Issuer (or its successor) may undertake, among other mergers, (i) the Target Merger and/or (ii) the Debt Push Merger, in which case the Issuer may change, subsequent to the Target Merger or the Debt Push Merger, to Target MergerCo, or Debt Push MergerCo, respectively, and BidCo, in either case, will merge into the Target (or its successor) which become the successor Issuer of the Notes.

Each of the Notes Guarantees will, upon issuance:

- be general senior obligations of the applicable Guarantor;
- rank pari passu in right of payment with all of the applicable Guarantor's existing and future senior indebtedness that is not expressly subordinated in right of payment to such Notes Guarantee, including that Guarantor's obligations under the Revolving Facility, the Guarantee Facility and the Bridge Facility;

- rank senior in right of payment to any existing and future indebtedness of the applicable Guarantor that is expressly subordinated in right of payment to its Notes Guarantee; and
- be effectively subordinated to any existing and future indebtedness of the relevant Guarantor that is secured by property or assets that do not secure its Notes Guarantee, to the extent of the value of the property and assets securing such indebtedness.

The obligations of a Guarantor under its Notes Guarantee will be limited as necessary to prevent the relevant Notes Guarantee from constituting a fraudulent conveyance, unlawful financial assistance or infringement of capital maintenance or corporate benefit rules under applicable law, and otherwise to reflect limitations under applicable law or as set out in the Indenture or respective supplemental indenture. In addition, each Notes Guarantee will be further limited as required by the Agreed Security Principles, as described below under "*The Guarantees—General*." By virtue of these limitations, a Guarantor's obligation under its Notes Guarantee will be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—Fraudulent conveyance and similar laws may adversely affect the validity and enforceability of the Notes, the Guarantees and the Notes Collateral*," "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The Guarantees of IMA Bidco and any further Italian Guarantor are limited by the Indenture and each of the Guarantees is furthermore significantly limited by applicable laws and subject to certain limitations and defenses*," "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The ability of the Security Agent to enforce certain of the Notes Collateral may be restricted by Italian law or subject to certain limitations or defenses that may adversely affect their validity and enforceability*." The validity and enforceability of the Notes Guarantees and the liability of each Guarantor will be subject to the limitations described in this Offering Memorandum under the caption "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Law Considerations*."

Principal and Maturity

On the Issue Date, the Issuer will issue €450.0 million in aggregate principal amount of Floating Rate Notes and €830.0 million in aggregate principal amount of Fixed Rate Notes. The Notes will mature on January 15, 2028. The Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest

Interest on the Floating Rate Notes will accrue at a rate per annum, reset quarterly, equal to the sum of EURIBOR (subject to a 0.0% floor), *plus* 4.00% (such sum, the "*Applicable Rate*"), as determined by the Calculation Agent. Interest on the Notes will:

- accrue from the Issue Date;
- be payable quarterly in arrears, on each January 15, April 15, July 15, and October 15, beginning on April 15, 2021;
- be payable to the Holder of record of such Notes on the Business Day immediately preceding the related interest payment date;
- be payable entirely in cash in euros; and
- be computed on the basis of a 360-day year and the actual number of days elapsed.

Interest on the Fixed Rate Notes will accurate at a rate per annum equal to 3.75%, and will:

- accrue from the Issue Date;
- be payable semi-annually in arrears, on each January 15 and July 15, beginning on July 15, 2021;
- be payable to the Holder of record of such Notes on the Business Day immediately preceding the related interest payment date;
- be payable entirely in cash in euros; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

Interest on overdue principal and interest, as applicable, will accrue at a rate that is 1% higher than the then-applicable rate of interest. In no event, however, will the rate of interest on the Notes be higher than the maximum rate permitted by applicable law; *provided, however*, that the Calculation Agent (as defined below) shall not be responsible for verifying that the rate of interest on the Notes is permitted under applicable law.

The Calculation Agent will, as soon as practicable after 11:00 a.m., London time, on each Determination Date, determine the Applicable Rate and calculate the aggregate amount of interest payable on the Floating Rate Notes in respect of the following Interest Period (the "*Interest Amount*"). The Interest Amount will be calculated by applying the Applicable Rate to the principal amount of the Floating Rate Notes outstanding at the commencement of the Interest Period, multiplying each such amount by the actual number of days in the Interest Period concerned divided by 360; *provided, however*, that interest shall only be paid in respect of Floating Rate Notes outstanding on the applicable interest payment dates. All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one millionths of a percentage point being rounded upwards (e.g., 4.876545% (or 0.04876545) being rounded to 4.87655% (or 0.0487655)). All euro amounts used in or resulting from such calculations will be rounded to the nearest euro cent (with one half euro cent being rounded upwards). The determination of the Applicable Rate and the Interest Amount by the Calculation Agent shall, in the absence of willful default, fraud or manifest error, be final and binding on all parties; *provided* that the Applicable Rate on the Floating Rate Notes will in no event be higher than the maximum rate permitted by applicable law. The Trustee and the Paying Agent shall not be responsible for, nor incur any liability in connection with, any loss resulting from any calculation made, or intended to be made, by the Calculation Agent.

If the Issuer determines that the EURIBOR rate is no longer being calculated or administered, or it becomes illegal for the Calculation Agent to determine any amounts due to be paid, as at the relevant Determination Date, any alternative rate which has replaced EURIBOR in customary market usage for the purposes of determining floating rates of interest in respect of euro-denominated securities, as identified by the Issuer, in consultation with an Independent Financial Advisor appointed by the Issuer, and promptly thereafter notified by the Issuer to the Holders and the Calculation Agent, the Paying Agent and the Trustee shall be the new rate replacing EURIBOR (the "**EURIBOR Successor Rate**"); *provided, however*, that if the Independent Financial Advisor determines that there is no clear market consensus as to whether any rate has replaced EURIBOR in customary market usage, the Independent Financial Advisor shall determine an appropriate alternative rate, and the decision of the Independent Financial Advisor will be binding on the Issuer, the Calculation Agent and the Holders, and the Issuer shall certify (by way of an Officer's Certificate) to each of the Trustee, the Calculation Agent and the Paying Agent, at least ten Business Days prior to any Determination Date, such EURIBOR Successor Rate (upon which each of the Trustee, the Calculation Agent and the Paying Agent shall be entitled to rely conclusively and absolutely without further enquiry, investigation, verification or liability of any kind whatsoever), which shall be used by the Calculation Agent to calculate the Applicable Rate. Holders shall be bound by any such EURIBOR Successor Rate without any further action or consent by the Holders of the Trustee; *provided further* that any such alternative rate adopted pursuant to this paragraph shall in all cases never be less than 0.00%. Following the adoption of an alternative rate pursuant to this paragraph, all references to "EURIBOR" in the Indenture shall be deemed (*provided that* the EURIBOR Successor Rate does not, without the prior agreement of the Trustee, the Paying Agent or the Calculation Agent, as applicable, have the effect of increasing the obligations or duties, or decreasing the rights or protections, of the Trustee, Paying Agent or the Calculation Agent under the Indenture) to refer to such alternative rate.

The Calculation Agent will, upon the written request of the Holder of any Floating Rate Notes, provide the interest rate then in effect with respect to the Floating Rate Notes.

Set forth below is a summary of certain of the defined terms used in the Indenture relating to the calculation of interest on the Notes:

"*Calculation Agent*" means a financial institution appointed by the Issuer to calculate the interest rate payable on the Notes in respect of each interest period, which shall initially be The Bank of New York Mellon, London Branch.

"*Determination Date*," with respect to an Interest Period, will be the day that is two TARGET Settlement Days preceding the first day of such Interest Period.

"*EURIBOR*" with respect to an Interest Period, will be the rate (expressed as a percentage per annum) for deposits in euros for a three month period beginning on the day that is two TARGET Settlement Days after the Determination Date that appears on Reuters Page EURIBOR1 as of 11:00 a.m. Brussels time, on the Determination Date; *provided*, *however*, that EURIBOR shall never be less than 0.0%. If Reuters Page EURIBOR1 does not include such a rate or is unavailable on a Determination Date, the Issuer will request the principal London office of each of four major banks in the eurozone interbank market, as selected by the Issuer, to provide such bank's offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., Brussels time, on such Determination Date, to prime banks in the eurozone interbank market for deposits in a Representative Amount in euros for a three month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such offered quotations are so provided, the rate for the Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Issuer will request each of three major banks in London, as selected by the Issuer, to provide such bank's rate (expressed as a percentage per annum), as of approximately 11:00 a.m., London time, on such Determination Date, for loans in a Representative Amount in euros to leading European banks for a three month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such rates are so provided, the rate for the Interest Period will be the arithmetic mean of such rates. If fewer than two such rates are so provided then the rate for the Interest Period will be the rate in effect with respect to the immediately preceding Interest Period.

"*eurozone*" means the region comprised of member states of the European Union that adopt the euro as their official currency.

"*Interest Period*" means the period commencing on and including an interest payment date and ending on but excluding the next succeeding interest payment date, with the exception that the first Interest Period shall commence on and include the Issue Date.

"*Representative Amount*" means the greater of (a) €1.0 million and (b) an amount that is representative for a single transaction in the relevant market at the relevant time.

"*Reuters Page EURIBOR1*" means the display page so designated by Reuters (or such other page as may replace that page on that service, or if no such page is available, Bloomberg page "EBF" or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor).

"*TARGET Settlement Day*" means any day on which the Trans European Automated Real Time Gross Settlement Express Transfer (TARGET2) System is open for the settlement of payments in euro.

The rights of holders of beneficial interests in the Notes to receive payments (including payments of interest) on the Notes are subject to applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Methods of Receiving Payments on the Notes

Principal, interest, premium and Additional Amounts, if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to the Notes represented by one or more Global Notes, which will initially be registered in the name of or held by a nominee of a common depositary for Euroclear and Clearstream, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, interest, premium and Additional Amounts, if any, on any certificated securities ("*Definitive Registered Notes*") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes. See "*—Paying Agent, Registrar and Transfer Agent for the Notes*."

Paying Agent, Registrar and Transfer Agent for the Notes

The Issuer will maintain a Paying Agent for the Notes. The initial Paying Agent will be The Bank of New York Mellon, London Branch (the "*Paying Agent*").

The Issuer will also maintain a registrar (the "*Registrar*") and a transfer agent (the "*Transfer Agent*"). The initial Registrar and the initial Transfer Agent will be The Bank of New York Mellon SA/NV, Dublin Branch. The Registrar, Transfer Agent and Paying Agent, as applicable, will maintain a register reflecting ownership of the Notes outstanding from time to time, if any, and will make payments on and facilitate transfers of the Notes on behalf of the Issuer.

Subject to the above, the Issuer may change the Paying Agent, Registrar, Transfer Agent or Calculation Agent for the Notes, as applicable, without prior notice to the Holders of such Notes. However, for so long as Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF thereof and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish notice of any change of Paying Agent, Registrar, Transfer Agent or Calculation Agent in a daily newspaper having a general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*). The Issuer or any of its Subsidiaries may act as Paying Agent, Registrar or Calculation Agent in respect of the Notes.

Notes Guarantees

General

Subject to the limitations described herein, the Agreed Security Principles and the Intercreditor Agreement, on the Issue Date, the Notes will be guaranteed by BidCo. Subject to and in accordance with the Agreed Security Principles (as defined herein), the Notes will also be guaranteed on a senior basis by each Subsidiary of the Issuer that is a guarantor under the Revolving Facility. The Notes Guarantees will be subject to the limitations described under "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Law Considerations*." See also "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—Fraudulent conveyance laws and other limitations on the enforceability and the amount of the Guarantees and the Notes Collateral may adversely affect their validity and enforceability*," "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The Guarantees of IMA Bidco and any further Italian Guarantor are limited by the Indenture and each of the Guarantees is furthermore significantly limited by applicable laws and subject to certain limitations and defenses*," "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The ability of the Security Agent to enforce certain of the Notes Collateral may be restricted by Italian law or subject to certain limitations or defenses that may adversely affect their validity and enforceability*."

In addition, as described under "*—Certain Covenants—Additional Guarantees*" and subject to the Intercreditor Agreement and the Agreed Security Principles and the limitations described therein, certain Subsidiaries of the Issuer that guarantee the Revolving Facility in the future or any Credit Facility in an aggregate principal amount in excess of €30.0 million or Public Debt of the Issuer or a Guarantor, in each case, shall also enter into one or more Notes Guarantees or supplemental indentures or other documents or instruments to become Guarantors of the Notes and accede to the Intercreditor Agreement.

Each Notes Guarantee will be subject to the Agreed Security Principles, which are described under the caption "*—Security*," and will also be limited to the maximum amount that would not render the applicable Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the U.S. Bankruptcy Code or any comparable provision of non-U.S. law or state law, or as otherwise required under the Agreed Security Principles, to comply with corporate benefit, financial assistance, capital maintenance rules and other laws or will be limited as set out in the respective Notes Guarantee. By virtue of this limitation, a Guarantor's obligation under its Notes Guarantee will be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—Fraudulent conveyance laws and other limitations on the enforceability and the amount of the Guarantees and the Notes Collateral may adversely affect their validity and enforceability*," "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The Guarantees of IMA Bidco and any further Italian Guarantor are limited by the Indenture and each of the Guarantees is furthermore significantly limited by applicable laws and subject to certain limitations and defenses*," "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—Enforcing your rights as a holder of the Notes and the Guarantees or the Notes*

Collateral across multiple jurisdictions may prove difficult," and "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The ability of the Security Agent to enforce certain of the Notes Collateral may be restricted by Italian law or subject to certain limitations or defenses that may adversely affect their validity and enforceability*."

A portion of the operations of the Group are or will be conducted through Subsidiaries that are not expected to provide a Notes Guarantee, including those located in Excluded Jurisdictions, which are exempt from providing a Notes Guarantee or granting security over their shares and assets in accordance with the Agreed Security Principles. Claims of creditors of non-Guarantor Restricted Subsidiaries, including depositors, trade creditors and creditors holding claims under debt and guarantees issued by those Restricted Subsidiaries, and claims of preferred stockholders of non-Guarantor Restricted Subsidiaries generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders. The Notes and each Notes Guarantee therefore will be structurally subordinated to creditors (including trade creditors) and preferred stockholders (if any) of Restricted Subsidiaries (other than the Guarantors). See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The Notes will be structurally subordinated to all indebtedness of the Issuer's existing and future subsidiaries that do not guarantee the Notes*."

Notes Guarantees Release

The Notes Guarantee of a Guarantor will automatically terminate and release:

- upon a sale, exchange, transfer or other disposition (including by way of consolidation, merger or amalgamation) of the Capital Stock of a Guarantor that immediately prior to such sale or other disposition was a Subsidiary of the Issuer (whether by direct sale or sale of a holding company) or the sale or disposition of all or substantially all the assets of the Guarantor, in each case, if the sale, exchange, transfer or other disposition is not prohibited by the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and, in each case, such Guarantor ceases to be a Restricted Subsidiary as a result of the sale, exchange, transfer or other disposition;
- upon the designation of the Guarantor as an Unrestricted Subsidiary in accordance with the provisions of the Indenture or any event occurs after which such Guarantor is no longer a Restricted Subsidiary;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Notes in accordance with the Indenture, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";
- in accordance with the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement, including without limitation, as described under "*—IPO Debt Pushdown*";
- so long as no Event of Default has occurred and is continuing, to the extent that such Guarantor (other than BidCo and, after a Delisting Merger, Delisting MergerCo) that provides a guarantee under the Revolving Facility (i) is unconditionally released and discharged from its liability with respect to the Revolving Facility Agreement, and (ii) is not Guaranteeing any other Credit Facility in an aggregate principal amount in excess of €30.0 million or any Public Debt at the time;
- as described under "*—Amendments and Waivers*";
- as described under the covenant described under "*—Certain Covenants—Additional Guarantees*";
- upon payment in full of principal and interest and all other obligations under the Notes;
- (i) with respect to any Guarantor which is not the continuing or surviving person in the relevant consolidation, merger or other transaction that would not be prohibited under "*—Certain Covenants—Merger and Consolidation*," and (ii) in connection with the Target Merger, Delisting Merger or Debt Push Merger;
- upon the occurrence of a Covenant Suspension Event (as defined herein) or by written notice from the Issuer to the Trustee upon the Notes achieving an Investment Grade Status;

provided that such Guarantor is not Guaranteeing the Revolving Credit Facility any Credit Facility in an aggregate principal amount in excess of €30.0 million or any other Public Debt at the time; *provided further* that if a Reversion Date occurs, subject to the Agreed Security Principles and the limitations described in this Offering Memorandum the Issuer will use its commercially reasonable efforts to procure that any such Notes Guarantee that was released in reliance on this clause to be re-granted;

- with respect to any Guarantor, in connection with a solvent liquidation of such Guarantor pursuant to which substantially all of the assets of such Guarantor remain owned by the Issuer or a Restricted Subsidiary;
- in connection with (i) a transaction not prohibited by the Indenture pursuant to which a Guarantor is being liquidated, wound up, or dissolved (or pursuant to which it will otherwise cease to exist) or (ii) a Permitted Reorganization; or
- as otherwise permitted in accordance with the Indenture.

At the request and expense of the Issuer and, if applicable, at the request of the Security Agent, the Trustee shall execute any documents in connection with or take all reasonably necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release or amendment of a Notes Guarantee in accordance with these provisions, subject to customary protections and indemnifications under the Indenture. Each of the releases and amendments set forth above shall be effected by the Trustee, or, if applicable, the Security Agent, without any consent of the Holders or any other action or consent on the part of the Trustee.

Escrow of Proceeds; Special Redemption

Concurrently with the closing of the offering of the Notes on the Issue Date, the Issuer will enter into the Escrow Agreement with the Trustee and the Escrow Agent, pursuant to which the initial purchasers will deposit with the Escrow Agent into the Escrow Accounts an amount equal to the gross proceeds of the offering of the Notes sold on the Issue Date, *less* any amounts used to repay the Bridge Facility on the Issue Date and to pay certain fees in relation to the Offering. Each Escrow Account will be pledged in favor of the Trustee for the benefit of the holders of the Fixed Rate Notes or the Floating Rate Notes, as the case may be, pursuant to an escrow account charge dated the Issue Date between the Issuer, the Trustee and the issuing banks and the fronting banks under the Bridge Facility (or an agent on their behalf) (the "*Escrow Charge*"). The initial funds deposited in the Escrow Accounts, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Accounts (less any property and/or funds paid in accordance with the Escrow Agreement) are referred to, collectively, as the "*Escrowed Property*".

In order to cause the Escrow Agent to release the Escrowed Property (in part or in whole) to the Issuer (each such release, a "*Release*"), the Escrow Agent and the Trustee shall have received from the Issuer (the first such date the "*Initial Escrow Release Date*", and the Initial Escrow Release Date and each such date thereafter an "*Escrow Release Date*"), an Officer's Certificate, upon which both the Escrow Agent and the Trustee shall rely, without further investigation, to the effect that:

1. The Issuer will utilize the proceeds from the Release (within one Business Day of such Release) to:
   A. make over-the-counter purchases of shares of the Target to the extent permitted pursuant to the Bridge Facility Agreement;
   B. purchase shares under the MTO Acquisition;
   C. purchase shares under the Sell-Out or Squeeze-Out Acquisition or to fund the payment of any purchases pursuant to Withdrawal Rights;
   D. fund certain net working capital and cash and cash equivalents on balance sheet of the Target and its Restricted Subsidiaries to the extent described in the section entitled "*Use of Proceeds*" and to repay Target Existing Debt; and/or
   E. pay any related transaction costs, fees and/or expenses,

   (each a "*Release Use*");
2. as of the date of delivery of the Officer's Certificate, there is no Event of Default under clauses (1), (2) or (5) of the first paragraph under the heading titled "—*Events of Default*" below; and

3. with respect to a Release Use resulting from 1(A), 1(B), or 1(C) as set forth above, on the relevant Escrow Release Date, the proportion of the Equity Contribution made and used for the purpose of such Release Use to proceeds from such Release for the purposes of such Release Use, shall be at least 76.4% for each such Release Use on such Escrow Release Date; *provided* that such Release Use resulting from 1(A), 1(B) or 1(C) above shall only be used to fund the purchase of shares of the Target up to a price of €68.00 per share, and any purchase price in excess of €68.00 per share shall be funded by an Equity Contribution; and *provided further* that a Release Use resulting from 1(D) or 1(E) above shall not result on the applicable Escrow Release Date in the Escrowed Property having an outstanding principal amount that is less than the amount outstanding under the debt cash confirmation agreement in connection with the Bridge Facility Agreement; and *provided further* that all Releases with respect to a Release Use resulting from 1(D) above, when aggregated with all other such Releases, shall not exceed €550.0 million.

Any such Release shall occur following receipt of the Officer's Certificate in accordance with the terms of the Escrow Agreement. Upon a Release, the Escrow Accounts shall be reduced by the amount set forth in the Officer's Certificate, and the Escrowed Property shall be paid out in accordance with the Escrow Agreement. Any such Release of Escrowed Property is not required to be *pro rata* between the Escrow Accounts for the Fixed Rate Notes or the Floating Rate Notes. Notwithstanding anything to the contrary contained here, a portion of the Escrowed Property may also be released to make interest payments of the Notes; *provided that* such a release shall not result on the applicable Escrow Release Date in the Escrowed Property having an outstanding principal amount that is less than the amount outstanding under the debt cash confirmation agreement in connection with the Bridge Facility Agreement.

In connection with any Release with respect to a Release Use relating to clause 1(D) in the second paragraph of this section, all proceeds relating to such Release shall be made available by the Issuer to BidCo or Target and by BidCo to the Target, in each case, by means of non-equity like unsubordinated loans and the security described in clauses (e) and (g) in the third paragraph of the section entitled "*Security—General*" shall be provided (within the time period set forth therein) in relation to the structural intercompany receivables in relation to such loans.

In the event that (a) an Event of Default arises under clause (5) of the first paragraph under the heading titled "*—Events of Default*" with respect to the Issuer or (b) at the Issuer's election at any time (the date of any such event being the "*Special Termination Date*"), the Issuer will (in the case of (a)), or may (in the case of (b)), redeem up to the lesser of (Y) the aggregate principal amount of the Notes that have not been the subject of a Release and (Z) €350 million of the Notes (the "*Special Redemption*") at a price (the "*Special Redemption Price*") equal to 100% of the initial issue price of the Notes redeemed plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to, but excluding, the Special Redemption Date (as defined below) (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that as long as the outstanding aggregate principal amount of each of the Fixed Rate Notes or Floating Rate Notes remains, after giving effect to such Special Redemption, at least €250 million, the Issuer may, in its discretion and subject to certain conditions, elect to redeem any combination of Fixed Rate Notes or Floating Rate Notes.

Notice of the Special Redemption will be delivered by the Issuer, no later than one Business Day following the Special Termination Date, to the Trustee and the Escrow Agent, and will provide that the Notes shall be redeemed on a date that is no later than the fifth Business Day after such notice is given by the Issuer in accordance with the terms of the Escrow Agreement (the "*Special Redemption Date*"). On the Special Redemption Date, the Escrow Agent shall pay to the Paying Agent for payment to each Holder the Special Redemption Price for such Holder's Notes and, concurrently with the payment to such Holders, deliver any excess Escrowed Property (if any) to the Issuer.

To secure the payment of the Special Redemption Price, the Issuer will grant to the Trustee for the benefit of the Holders of the Notes a security interest in the applicable Escrow Accounts. Receipt by the Trustee of either an Officer's Certificate for a Release or a notice of Special Redemption (provided funds, sufficient to pay the Special Redemption Price are in the Escrow Accounts) shall constitute deemed consent by the Trustee for the release of the Escrowed Property from the Escrow Charges.

If at the time of such Special Redemption, the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF thereof and the rules of the Luxembourg

Stock Exchange so require, the Issuer will publish a notice specifying that a Special Redemption has occurred and any relevant details relating to such Special Redemption, in a daily newspaper having a general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Security

General

On the Issue Date, the Notes will be secured by a security interest in the Escrowed Property applicable to the relevant series of Notes. See "*—Escrow of Proceeds; Special Redemption*". Escrowed Property that is deposited in the Escrow Accounts will not be charged to secure any obligations other than the Issuer's obligations under the Notes and the Indenture.

The mergers described in "*Certain Covenants—Completion of the Target Merger, Delisting Merger or Debt Push Merger*" may affect the Notes Collateral. Each of the Delisting Merger, Debt Push Merger and Target Merger are subject to certain conditions and may not be completed. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The Issuer may be unable to complete the Mergers and therefore the Notes may remain at the Issuer rather than a successor of one of the Mergers or the Company*."

Subject to and in accordance with the Agreed Security Principles, the Intercreditor Agreement and certain perfection requirements, the following security interests shall be provided securing the Notes (to the extent applicable and not already provided) (together, the "*Notes Collateral*"):

(a) on or prior to the Issue Date, a pledge by Topco over shares owned by it in the capital of the Issuer;

(b) on or prior to the Issue Date, the Issuer shall provide a pledge over the shares in BidCo;

(c) on or prior to the Issue Date, Topco will provide an assignment by way of security over the structural intercompany receivables owed to it by the Issuer;

(d) to the extent applicable and not previously assigned, on or about the Issue Date, the Issuer shall provide an assignment by way of security over the structural intercompany receivables owed to it by BidCo;

(e) within five (5) Business Days after (and excluding) each Escrow Release Date, the Issuer shall provide, to the extent applicable and not previously assigned, an assignment by way of security over the structural intercompany receivables (if any, otherwise no such assignment shall be granted) owed to it by BidCo or Target;

(f) on or about December 14, 2020 (or if later, the Issue Date), BidCo shall provide (i) a pledge over the shares owned by it in the Target, and (ii) to the extent applicable and not previously assigned, an assignment by way of security over the structural intercompany receivables (if any) owed to it by the Target;

(g) within 20 Business Days after (and excluding) each Escrow Release Date, BidCo shall, to the extent applicable and not previously assigned, provide an assignment by way of security over the structural intercompany receivables (if any) owed to it by the Target;

(h) within 20 Business Days after (and excluding) the date of completion of the MTO, BidCo shall provide a pledge over the shares owned by it in the Target (to the extent not previously pledged);

(i) within 20 Business Days after (and excluding) the date of completion of the Sell-Out or Squeeze-Out Acquisition and/or the last date of completion of any over-the-counter purchases of Target shares, BidCo shall provide a pledge over the shares owned by it in the Target (to the extent not previously pledged);

(j) within ten Business Days after (and excluding) the date of completion of the Target Merger (as defined below), Topco shall, as the case may be, provide or reconfirm (i) a pledge over all the shares owned by it in Target MergerCo, and (ii) to the extent applicable and not previously assigned, an assignment by way of security over the structural intercompany receivables (if any) owed to it by Target MergerCo;

(k) within ten Business Days after (and excluding) the date of completion of the Delisting Merger (defined below) (and, with respect to (ii) below, each later Escrow Release Date where the proceeds from such Release are on-lent to the Delisting MergerCo), the Issuer shall, as the case may be, provide or reconfirm, (i) a pledge over all the shares owned by it in Delisting MergerCo, and (ii) an assignment by way of security over the structural intercompany receivables (if any) owed to it by Delisting MergerCo;

(l) within ten Business Days after (and excluding) the date of completion of the Debt Push Merger (defined below), Topco shall, as the case may be, provide or reconfirm (i) a pledge over all the shares owned by it in Debt Push MergerCo and (ii) to the extent applicable and not previously assigned, an assignment by way of security over the structural intercompany receivables (if any) owed to it by Debt Push MergerCo (if any, otherwise no such assignment shall be granted);

(m) to the extent required by the Revolving Facility Agreement or the Guarantee Facility Agreement after the accession of any subsidiary as a guarantor, and to the extent not previously provided, each relevant Group company shall provide a pledge over the shares it owns in each material subsidiary or borrower under the Revolving Facility Agreement or the Guarantee Facility Agreement; and

(n) subject to the Agreed Security Principles and related party transaction rules, security to be granted by BidCo over the proceeds loan to the Target (if any) and by the Target over any proceeds loan to the Group (if any).

The Notes Collateral will also secure on a first-ranking basis the Revolving Facility, Guarantee Facility, and certain Hedging Obligations.

The Notes Collateral is or will be pledged or assigned pursuant to the Transaction Security Documents to the Security Agent on behalf of the Holders and lenders under the Revolving Facility, Guarantee Facility, Bridge Facility and other secured parties. The Notes Collateral, and any and all assets from time to time in which a Security Interest has been or will be granted pursuant to any Transaction Security Document to secure the obligations under the Indenture or the Notes and/or any Notes Guarantee, in each case as may be in existence from time to time, are collectively referred to herein as the "*Charged Property*." The taking of any future additional Charged Property (for the avoidance of doubt, other than Charged Property that is released and retaken pursuant to clause (1) under "*Release of Liens*," as would not be prohibited under "*—Certain Covenants—Impairment of Security Interest*" or *otherwise in accordance with the provisions of the Indenture) will be subject to the Agreed Security Principles and all Charged Property will be subject to any Permitted Collateral Liens.*

The Charged Property also secures or will secure the liabilities under the Bridge Facility, the Guarantee Facility Agreement, the Revolving Facility Agreement and, in the future, may secure Hedging Obligations and other indebtedness (including any Additional Notes). Pursuant to the Intercreditor Agreement, any liabilities in respect of obligations under the Revolving Facility Agreement, the Guarantee Facility Agreement and certain Hedging Obligations permitted to be incurred under the covenant "*—Certain Covenants—Limitation on Indebtedness*" and permitted to be secured on the Charged Property on a super priority basis (see "*—Certain Definitions—Permitted Collateral Liens*") will receive priority over the Holders with respect to any proceeds received upon any enforcement action over any Charged Property. The proceeds from the enforcement of the Charged Property after all such obligations have been satisfied may not be sufficient to satisfy the obligations owed to the Holders. Any proceeds received upon any enforcement over any Charged Property, after all liabilities in respect of obligations under the Revolving Facility Agreement, Guarantee Facility Agreement and certain Hedging Obligations have been discharged from such recoveries, will be applied *pro rata* in payment of all liabilities in respect of obligations under the Indenture and the Notes and the Bridge Facility and any other Indebtedness of the Restricted Subsidiaries permitted to be Incurred and secured by the Charged Property (other than on a junior basis) pursuant to the Indenture and the Intercreditor Agreement. See "*—Priority*."

No appraisals of the Charged Property have been made in connection with the offering of the Notes. By its nature, some or all of the Charged Property will be illiquid and may have no readily ascertainable market value. Accordingly, the Charged Property may not be able to be sold in a short period of time, or at all. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—*

Creditors under the Revolving Credit Facility, the Guarantee Facility, certain hedging liabilities and certain debt that the Issuer may incur in the future will be entitled to be repaid with the proceeds of the Notes Collateral sold in any enforcement sale in priority to the Notes" and "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The proceeds from the enforcement of the Notes Collateral may not be sufficient to satisfy the obligations under the Notes*," and "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—It may be difficult to realize the value of the Notes Collateral*," and "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The Issuer and its subsidiaries will have control over certain of the Notes Collateral, and the operation of the business or the sale of particular assets or certain mergers could reduce the pool of assets securing the Notes*."

In addition, the Notes Guarantees and the Security Interests in the Charged Property may be released under certain circumstances. See "*—Notes Guarantees—Notes Guarantees Release*" and "*—Release of Liens*." Subject to certain conditions, including compliance with the covenant described under "*—Certain Covenants—Impairment of Security Interest*," the Issuer is permitted to grant security over the Charged Property in connection with future issuances of its Indebtedness (including any Additional Notes) or Indebtedness of the Issuer and or any of the Restricted Subsidiaries, in each case, as not prohibited under the Indenture and the Intercreditor Agreement.

The Liens on the Charged Property will be limited as necessary to recognize certain limitations arising under or imposed by local law and defenses generally available to providers of collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, (including under Article 2358, 2374 of the Italian Civil Code), anti-trust and other competition authority restrictions, corporate purpose or benefit, capital maintenance or similar laws, regulations, tax restrictions or defenses affecting the rights of creditors generally) or other considerations under applicable law. For a brief description of such limitations, see "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Law Considerations*" and "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—Fraudulent conveyance and similar laws may adversely affect the validity and enforceability of the Notes, the Guarantees and the Notes Collateral*" in this Offering Memorandum.

Notwithstanding the foregoing and the provisions of the covenants described below under "*—Certain Covenants—Limitation on Liens*" and "*—Certain Covenants—Additional Guarantees*," certain property, rights and assets may not be pledged or assigned, and any pledge or assignment over property, rights and assets may be limited (or the Liens not perfected) and certain persons may grant Notes Guarantees or such Notes Guarantees may be limited, in each case, in accordance with the Agreed Security Principles.

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Revolving Facility, the Guarantee Facility, the Bridge Facility, the Notes and the Notes Guarantees. The Agreed Security Principles include restrictions on the granting of guarantees or security where, among other things, such grant would be restricted by general statutory or other legal limitations or requirements, financial assistance rules, corporate benefit rules, fraudulent preference rules, "*transfer pricing*", " *thin capitalization*", "*earnings stripping*", "*controlled foreign corporation*" and other tax restrictions, "*exchange control restrictions*", " *liquidity impairment*" rules, rules, capital maintenance rules, retention of title claims and similar matters, or where the time and cost of granting the guarantee would be disproportionate to the benefit accruing to the Holders.

The following is a non-exhaustive summary of certain terms of the Agreed Security Principles, which include, among others:

- general legal and statutory limitations, regulatory restrictions, financial assistance (including under Article 2358 and Article 2374 of the Italian Civil Code), anti-trust and other competition authority restrictions, corporate benefit, fraudulent preference, equitable subordination, "transfer pricing," "thin capitalization," "earnings stripping," "controlled foreign corporation" and other tax restrictions, "exchange control restrictions," "capital maintenance" rules and "liquidity impairment" rules, retention of title claims, employee consultation or approval requirements and similar principles may limit the ability of the Issuer and the Restricted Subsidiaries (collectively, the "*Group*") to provide a guarantee or security or may require that the guarantee or security be limited as to amount or otherwise and, if so, the guarantee or security will be limited accordingly; *provided* that, to the extent requested by the Security Agent before signing any applicable security or accession document, the relevant member of the Group shall use reasonable endeavors (exercised for a specified period of time but without incurring material cost and without adverse impact on relationships with third parties) to overcome any such obstacle or otherwise such guarantee or security document shall be subject to such limit;

- the determination that the applicable time and cost (including adverse effects on taxes, interest deductibility, stamp duty, registration taxes, notarial costs, guarantee fees payable to any person that is not a member of the Group and all applicable legal fees) related to granting the relevant guarantee and/or security (including in respect of the security, the extent of its perfection and/ or registration) will not be disproportionate to the benefit accruing to the relevant secured parties of obtaining such guarantee or security. In particular, it is acknowledged that the Issuer and/or the Guarantor will not opt (where possible) for the *Imposta Sostitutiva* regime pursuant to article 15 and subsequent of Italian Presidential Decree No. 601/1973 as amended and supplemented from time to time. Accordingly, security that requires payment in Italy of an *ad valorem* registration tax on the amount of the secured obligations will not be taken unless it can be executed by way of exchange of correspondence. Non-Italian Security that requires payment of an ad valorem registration tax on the amount of the secured obligation will not be taken if tax duty cannot be minimized upon execution, Guarantees and Security will be limited so that the aggregate of notarial costs and all registration and like taxes and duties relating to the provision of security will not exceed an amount agreed between the Security Agent and the Issuer;

- the exclusion from any guarantee or security of any asset subject to a legal requirement, contract, lease, license, instrument, regulatory constraint (including any agreement with any government or regulatory body) or other third party arrangement, which may prevent or condition the asset from being charged, secured or being subject to the applicable security document (including requiring a consent of any third party, supervisory board or works council (or equivalent)) and any asset which, if subject to the applicable security document, would give a third party the right to terminate or otherwise amend any rights, benefits and/or obligations with respect to any member of the Group in respect of the asset or require the relevant charger to take any action materially adverse to the interests of the Group or any member thereof; *provided* that reasonable endeavors (exercised for a specified period of time but without incurring material cost and without adverse impact on relationships with third parties) to obtain consent to charging any asset (where otherwise prohibited) shall be used by the Group if the Security Agent specifies prior to the date of the security or accession document that the asset is material and the Issuer is satisfied that such endeavors will not involve placing relationships with third parties in jeopardy;

- the agreement that members of the Group will not be required to give guarantees or enter into security documents if they are not wholly owned by another member of the Group or if it is not within the legal capacity of the relevant members of the Group or if it would conflict with the fiduciary or statutory duties of their directors or contravene any applicable legal, regulatory or contractual prohibition or restriction or have the potential to result in a material risk of personal or criminal liability for any director or officer of or for any member of the Group; *provided* that, to the extent requested by the Security Agent before signing any applicable security document or accession document, the relevant member of the Group, in relation to a contractual prohibition or restriction only, shall use reasonable endeavors (exercised for a specified period of time but without incurring material cost and without adverse impact on relationships with third parties) to overcome any such obstacle or otherwise such guarantee or security document shall be subject to such limit;

- the requirement that, to the extent legally effective, all security shall be given in favor of the Security Agent and not the secured creditors individually (with the Security Agent to hold one set of security documents for all the secured creditors); *provided* that it shall be permissible to use "parallel debt" provisions where necessary (which shall be included in the Intercreditor Agreement and not the individual security documents) and in no event will "parallel debt" provisions apply to transaction security documents governed by Italian law or guarantees provided by members of the Group incorporated in Italy; and furthermore, the agreement that no member of the Group shall be required to take any action in relation to any guarantees or security as a result of any assignment or transfer of the Notes by a Holder;

- the limitation of guarantees and security so that the aggregate of notarial costs and all registration and like taxes and duties relating to the provision of security will not exceed an amount to be agreed between the Issuer and the Security Agent, and the agreement that where a class of assets to be secured includes material and immaterial assets, if the cost of granting security over the immaterial assets is disproportionate to the benefit of such security, security will be granted over the material assets only;

- the agreement that security will not be required over any assets subject to third party arrangements which are permitted by the Indenture and which prevent those assets from being charged, or any cash constituting regulatory capital or customer cash (and such assets or cash shall be excluded from any relevant security document);
- the agreement it may be either impossible or impractical to create security over certain categories of assets in which event security will not be taken over such assets;
- the agreement that no security may be provided on terms which are inconsistent with the turnover or sharing provisions in the Intercreditor Agreement;
- the agreement that the giving of a guarantee, the granting of security and the registration and/or the perfection of the security granted will not be required if it would have a material adverse effect on the ability of the relevant member of the Group to conduct its operations and business in the ordinary course as otherwise permitted by the Indenture and the Intercreditor Agreement (including dealing with the secured assets and all contractual counterparties or amending, waiving or terminating (or allowing to lapse) any rights, benefits or obligations, in each case prior to an Event of Default which is continuing), and the agreement that any requirement under the Agreed Security Principles to seek consent of any person or take or not take any other action shall be subject to the Agreed Security Principles;
- the agreement that other than a general security agreement and related filing, no perfection, filing or other action will be required with respect to assets of a type not owned by members of the Group;
- no security will be required to be granted over real estate, intellectual property, letter of credit rights, tort claims (or the equivalent in any jurisdiction), insurance policies, aircraft, ships and vessels, motor vehicles, governmental contracts or governmental or regulatory licenses, and no title investigations or other diligence on assets will be required and no title insurance will be required;
- the agreement that guarantees and security are to be given only by wholly owned Material Subsidiaries (as defined below) which are incorporated in Italy, the United Kingdom, the United States of America or any other jurisdiction in which a borrower under the Revolving Facility or the Guarantee Facility is incorporated, and not in any other jurisdiction (each other such jurisdiction, an "*Excluded Jurisdiction*"); and
- the agreement (i) that security in respect of the Notes and the Notes Guarantees only be granted over shares of wholly owned members of the Group that individually generate more than 5% of LTM EBITDA and are not located in an Excluded Jurisdiction or are otherwise unable to become a Guarantor (each a "*Material Subsidiary*") that become guarantors, (ii) that security will not be required from or over the assets of, any joint venture or similar arrangement, any minority interest or any member of the Group that is not wholly owned by another member of the Group, (iii) that no other security shall be required to be given by any other person or over any other asset, including, for the avoidance of doubt, that no security over bank accounts will be granted by any member of the Group incorporated in Italy or Austria and (iv) no security will be required to be granted over certain categories of assets, including, among other things, real estate, intellectual property, letter of credit rights and insurance policies.

Priority

The relative contractual priority with regard to the security interests in the Charged Property that are created by the Transaction Security Documents (the "*Security Interests*" and each, a "*Security Interest*") as between (a) the lenders under the Revolving Facility and the Guarantee Facility and the Bridge Facility, (b) the counterparties under certain Hedging Obligations, (c) the Trustee, the Security Agent, the Paying Agent, Registrar, Transfer Agent and Calculation Agent and any authenticating agent (collectively, the "*Agents*") and the Holders under the Indenture and (d) the creditors of certain other Indebtedness (including Indebtedness that may be Incurred in the future) permitted to be secured by the Charged Property, respectively, will be established by the terms of the Intercreditor Agreement, the Indenture, the Notes and the Transaction Security Documents, which will provide, among other things, that the obligations of the Issuer and the Guarantors under the Revolving Facility, Guarantee Facility, Bridge Facility, certain Hedging Obligations, the Notes and the Notes Guarantees will be secured equally and ratably by first-priority security interests over the Charged Property. The Intercreditor Agreement will also provide, among other things, that the obligations of the Issuer and the Guarantors under the Revolving Facility, Guarantee Facility and certain Hedging Obligations will receive proceeds from the enforcement of the Charged Property in priority to the Notes. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Notes Collateral—Creditors under the Revolving Credit Facility, the Guarantee Facility, certain hedging liabilities and certain debt that the Issuer may incur in the future will be entitled to be repaid with the proceeds of the Notes Collateral sold in any enforcement sale in priority to the Notes*." In addition, subject to certain limitations, the Charged Property may be pledged to secure future Indebtedness, some of which may receive proceeds from the enforcement of the Charged Property in priority to the Notes. See "*—Release of Liens*," "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Definitions—Permitted Collateral Liens*."

Transaction Security Documents

Under the Transaction Security Documents and the Escrow Charge, security will be granted over the Charged Property and the Escrowed Property, respectively, to secure, among other things, the payment, when due, of the Issuer's and the Guarantors' (if any) payment obligations under the Notes, the Notes Guarantees and the Indenture, as well as the Issuer's payment obligations under the Revolving Facility, Guarantee Facility, Bridge Facility and certain Hedging Obligations and other certain other future indebtedness. The Transaction Security Documents will be entered into by the relevant security provider and the Security Agent, as agent for the secured parties. When entering into the Transaction Security Documents, the Security Agent will act in its own name, but for the benefit of the secured parties' legal representative (*mandatario con rappresentanza*) (including itself, the Trustee and the Holders of Notes from time to time) and as representative (*rappresentante*) of the Holders pursuant to and for the purposes set forth under Article 2414-*bis*, paragraph 3, of the Italian Civil Code. Under the Intercreditor Agreement, the Security Agent will also act as an agent of the lenders under the Revolving Facility and the Guarantee Facility and the Bridge Facility and the counterparties under certain other future indebtedness in relation to the Security Interests created in favor of such parties.

The Indenture will provide and the Intercreditor Agreement provides that, to the extent permitted by applicable law, only the Security Agent will have the right to enforce the Transaction Security Documents on behalf of the Trustee and the Holders. As a consequence of such contractual provisions, Holders will not be entitled to take enforcement action in respect of the Charged Property securing the Notes, except through the Trustee under the Indenture, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The security interests in the Notes Collateral will not be granted directly to the holders of the Notes*."

The Indenture will provide that, subject to the terms thereof and of the Transaction Security Documents and the Intercreditor Agreement, as applicable, the Notes and the Indenture will be secured by Security Interests in the Charged Property until all obligations under the Notes and the Indenture have been discharged. However, the Security Interests with respect to the Notes and the Indenture may be released under certain circumstances as provided under "*—Release of Liens*."

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Transaction Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement is successful, the Holders may not be able to recover any amounts under the Transaction Security Documents. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral*."

Enforcement of Security Interest; Limitations

The Transaction Security Documents will provide that the rights under the Transaction Security Documents must be exercised by the Security Agent (including in its role as Security Representative). Since the Holders will not be a party to the Transaction Security Documents, Holders will not, individually or collectively, take any direct action to enforce any rights in their favor under the Transaction Security Documents. The holders may only act through the Security Agent (including in its role as Security Representative) or the Trustee (as applicable).

To the extent permitted by the applicable laws and subject to the terms of the Intercreditor Agreement and the Indenture, Holders will, in certain circumstances, be entitled to direct the Trustee to provide instructions to the Security Agent for the enforcement of security over the Notes Collateral subject to customary protections and indemnification under the Indenture. The Indenture and the Intercreditor Agreement will restrict the ability of the holders or the Trustee to enforce the Security Interests and provide for the release of the Security Interests created by the Transaction Security Documents in certain circumstances upon enforcement by the lenders under the Revolving Facility Agreement or the Guarantee Facility Agreement. These limitations are described under "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Law Considerations*." The ability to enforce may also be restricted by similar arrangements in relation to future indebtedness that is secured on the Notes Collateral in compliance with the Indenture and the Intercreditor Agreement.

The creditors under the Revolving Facility Agreement and Guarantee Facility Agreement and Bridge Facility and the Trustee have and, by accepting a Note, each Holder will be deemed to have, appointed the Security Agent to act on their behalf as agent under the Intercreditor Agreement and under the relevant security documents securing such Indebtedness, including the Transaction Security Documents. Furthermore, each Holder will have deemed to have appointed the Security Agent as *mandatario con rappresentanza* pursuant to Article 1704 of the Italian Civil Code and as representative (*rappresentante*) pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code to act in its behalf. The creditors under the Revolving Facility Agreement, the Guarantee Facility Agreement, Bridge Facility and the Trustee have and, by accepting a Note, each Holder will be deemed to have, authorized the Security Agent under the Indenture and/or the Intercreditor Agreement (as applicable) to: (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the Transaction Security Documents securing such Indebtedness, together with any other incidental rights, power and discretions; and (ii) execute each relevant Transaction Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound

The Indenture will provide that the Issuer and the Trustee will be authorized (without any further consent of the Holders) to enter into the Intercreditor Agreement to give effect to the provisions described in the section entitled "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The Indenture will also provide that each Holder of the Notes, by accepting such Note, will be deemed to have:

(1) appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement, any Additional Intercreditor Agreements and the Transaction Security Documents;

(2) authorized the Security Agent and the Trustee, as applicable, to act in its name and on its behalf to enter into the Transaction Security Documents and the Intercreditor Agreement and to be bound thereby and to perform their respective obligations and exercise their respective rights thereunder in accordance therewith;

(3) agreed to be bound by the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Transaction Security Documents;

(4) agreed to, and accepted, the appointment of Lucid Trustee Services Limited, as representative (*rappresentante*) of the noteholders for the purposes of Article 2414-*bis*, paragraph 3, of the Italian Civil Code;

(5) agreed and acknowledged that the Security Agent will administer the Transaction Security in accordance with the Intercreditor Agreement, the Indenture and the Transaction Security Documents; and

(6) irrevocably appointed the Security Agent and the Trustee to act on its behalf to enter into and comply with the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Transaction Security Documents (including the execution of, and compliance with, any waiver, modification, amendment, renewal or replacement expressed to be executed by the Trustee or the Security Agent on its behalf).

See the sections entitled "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The security interests in the Notes Collateral will not be granted directly to the holders of the Notes*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into as described under "*—Certain Covenants—Additional Intercreditor Agreements*."

Release of Liens

Topco, the Issuer and its Subsidiaries will be entitled to release the Security Interests in respect of their respective Charged Property under any one or more of the following circumstances:

(1) in connection with any sale or other disposition of Charged Property to (a) any person that is not the Issuer or a Restricted Subsidiary (but excluding any transaction subject to "*—Certain Covenants—Merger and Consolidation* "), if such sale or other disposition does not violate the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" and is otherwise not prohibited under the Indenture or (b) any Restricted Subsidiary; *provided* that this clause (1)(b) shall not be relied upon in the case of a transfer of Capital Stock or obligations under any structural intercompany receivables to a Restricted Subsidiary (except, in the case of accounts receivable, to a Securitization Subsidiary) unless the relevant property and assets (to the extent already secured in favor of the Notes) remain subject to, or otherwise become subject to a Lien, or substantially equivalent Liens are granted, in favor of the Notes following such transfer, sale or disposal;

(2) in the case of a Guarantor that is released from its Notes Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) as described under "*—Amendments and Waivers*";

(4) upon payment in full of principal, interest and all other obligations in respect of the Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in "*Defeasance*" and "*Satisfaction and Discharge*";

(5) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary;

(6) upon the contribution of any claim of the Issuer or any Restricted Subsidiary, which is subject to a Lien in favor of the Notes, to the equity of the Issuer or any of the Restricted Subsidiaries to the extent such equity is, or will promptly following release of the Security Interest be, subject to a Lien in favor of the Notes; *provided* that such contribution is not prohibited by the Intercreditor Agreement;

(7) in accordance with the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement, including without limitation, as described under "*—IPO Debt Pushdown*";

(8) upon the occurrence of a Covenant Suspension Event or by written notice from the Issuer to the Trustee upon the Notes achieving an Investment Grade Status; *provided* that if a Reversion Date occurs, subject to the Agreed Security Principles and the limitations described in this Offering Memorandum, the Issuer will use its commercially reasonable efforts for a Lien of substantially equivalent value to such Lien that was released in reliance on this clause to be re-taken to the extent that the Group continues to own such assets that had constituted Charged Property on such date;

(9) in connection with (i) a transaction not prohibited by the Indenture pursuant to which such security provider is being liquidated, wound up, or dissolved (or pursuant to which it will otherwise cease to exist), (ii) a transaction permitted by the covenant as described under the caption "*—Certain Covenants—Merger and Consolidation*," (iii) the Target Merger, Delisting Merger or Debt Push Merger, or (iv) a Permitted Reorganization; or

(10) as would not be prohibited under "*—Certain Covenants—Impairment of Security Interest*" or otherwise would be permitted in accordance with the Indenture.

The Escrow Charge shall only be released upon the release of the Escrowed Property from the Escrow Accounts in connection with a Release or the Special Redemption, in each case in accordance with the terms of the Escrow Agreement or the Escrow Charge.

Each of these releases shall be effected by the Security Agent and, to the extent required or necessary, the Trustee, without the consent of the Holders.

At the request and expense of the Issuer or the relevant pledgor, the Security Agent and, to the extent required or necessary pursuant to the Intercreditor Agreement or the relevant Transaction Security Document, the Trustee will take all necessary action required to effectuate any release of Charged Property securing the Notes and the Notes Guarantees, including executing and delivering any appropriate document or instrument evidencing such release (in the form provided by the Issuer), in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document, subject to customary protections and indemnification under the Indenture. Each of the releases set forth above shall occur automatically without the consent of the Holders or any action on the part of the Security Agent or Trustee (unless action is required by it to effect such release in accordance with the previous sentence). The Security Agent, and only to the extent any action is required by it to effect the release, the Trustee shall be entitled to request and rely solely upon an Officer's Certificate and Opinion of Counsel, each certifying which circumstance, as described above, giving rise to a release of the Security Interests has occurred, and that such release complies with the Indenture; *provided* that no such Officer's Certificate or Opinion of Counsel is required in connection with a Release or the release of the Escrowed Property from the Escrow Charge as described under "*Escrow of Proceeds; Special Redemption*".

Transfer and Exchange

The Notes will initially be issued in the form of one or more registered notes in global form without interest coupons, as follows:

- Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act ("*Rule 144A*") will initially be represented by one or more global notes in registered form without interest coupons attached (the "*144A Global Notes*"). The 144A Global Notes will, on the Issue Date, be deposited with, and registered in the name of the nominee for, the common depositary for the accounts of Euroclear and/or Clearstream.
- Notes sold outside the United States pursuant to Regulation S under the Securities Act ("*Regulation S*") will initially be represented by one or more global notes in registered form without interest coupons attached (the "*Regulation S Global Notes*" and, together with the 144A Global Notes, the "*Global Notes*"). The Regulation S Global Notes will, on the Issue Date, be deposited with, and registered in the name of the nominee for, the common depositary for the accounts of Euroclear and/or Clearstream.

Ownership of interests in the Global Notes ("*Book-Entry Interests*") will be limited to persons that have accounts with Euroclear or Clearstream or persons that may hold interests through such participants.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Notice to U.S. Investors*" and "*Notice to Certain Other Investors*." In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear or Clearstream, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, as applicable, and their respective participants.

Book-Entry Interests in the 144A Global Notes may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Subject to the foregoing, Book-Entry Interests in the Regulation S Global Notes may be transferred to a person who takes delivery in the form of Book-Entry Interests in the 144A Global Notes only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “*Notice to U.S. Investors*” and “*Notice to Certain Other Investors*” and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant that owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully in under “*Notice to U.S. Investors*” and “*Notice to Certain Other Investors*.”

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

The Issuer, the Trustee, the Registrar, the Transfer Agent and the Paying Agent will be entitled to treat the Holder of a Note as the owner of it for all purposes.

IPO Debt Pushdown

On, in contemplation of, or following an Initial Public Offering, the terms of the Intercreditor Agreement will provide (and the Indenture and the Notes shall be subject to such provisions) that the Issuer shall be entitled to require (by written notice to the Trustee and the Security Agent) that the terms of the Indenture, the Intercreditor Agreement (and any Additional Intercreditor Agreement) and the Transaction Security Documents shall operate (with effect from the date specified in such notice) as described under “*Description of Certain Financing Arrangements—Intercreditor Agreement—Required Consents—Provisions Following an IPO*.” Following such notice, among other things, the Group would comprise of the member of the Group or holding company of the Issuer who will issue shares or whose shares are to be sold pursuant to such Initial Public Offering (the “*IPO Pushdown Entity*”) and its restricted subsidiaries, and the Indenture will include provisions to provide for substitution of the IPO Pushdown Entity as Issuer in accordance with the provisions of the Intercreditor Agreement. Any Parent Entity of the IPO Pushdown Entity would not be subject to the provisions of the Indenture and the other Notes Documents and any security over its assets may be released or if a Guarantor, its Notes Guarantee may be released, in each case, in accordance with the provisions of the Indenture, and the Trustee and the Security Agent shall be required to enter into any amendment to the Indenture, the Intercreditor Agreement (and any Additional Intercreditor Agreement) and/or the Transaction Security Documents required by the Issuer, enter into any document or instrument in connection therewith and/or take such other action as is required by the Issuer in order to facilitate or reflect any of the matters contemplated by this paragraph.

Optional Redemption

Optional Redemption of the Floating Rate Notes

Except as described below and except as described under "—*Redemption for Taxation Reasons*," the Floating Rate Notes are not redeemable until January 15, 2022.

At any time prior to January 15, 2022, the Issuer may redeem the Floating Rate Notes, in whole or in part, at its option, upon not less than ten (10) nor more than 60 days' prior notice at a redemption price equal to 100.000% of the principal amount of such Floating Rate Notes *plus* the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to (but not including) the applicable redemption date.

At any time and from time to time on or after January 15, 2022, the Issuer may redeem the Floating Rate Notes, in whole or in part, at its option, upon not less than ten (10) nor more than 60 days' prior notice at a redemption price equal to 100.000% of their principal amount, *plus* accrued and unpaid interest and Additional Amounts, if any, to (but not including) the applicable redemption date.

Optional Redemption of the Fixed Rate Notes

Except as described below and except as described under "—*Redemption for Taxation Reasons*," the Fixed Rate Notes are not redeemable until January 15, 2023.

At any time prior to January 15, 2023, the Issuer may redeem the Fixed Rate Notes, in whole or in part, at its option, upon not less than ten (10) nor more than 60 days' prior notice at a redemption price equal to 100.000% of the principal amount of such Fixed Rate Notes, *plus* the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to (but not including) the applicable redemption date.

At any time prior to January 15, 2023, the Issuer may on one or more occasions redeem up to 40% of the aggregate principal amount of the Fixed Rate Notes (including the principal amount of any Additional Fixed Rate Notes), upon not less than ten (10) nor more than 60 days' notice, with funds in an aggregate amount not exceeding the Net Cash Proceeds of one or more Equity Offerings at a redemption price of 103.750% of the principal amount of the Fixed Rate Notes, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date; *provided* that:

(1) at least 50% of the original aggregate principal amount of the Fixed Rate Notes (including the principal amount of any Additional Fixed Rate Notes) remains outstanding immediately after each such redemption; and

(2) the redemption occurs within 180 days after the closing of such Equity Offering.

At any time prior to January 15, 2023, the Issuer may redeem up to 10% of the aggregate principal outstanding amount of the Fixed Rate Notes (calculated after giving effect to the issuance of any Additional Fixed Rate Notes) during each calendar year commencing from the Issue Date, from time to time, upon not less than ten (10) nor more than 60 days' prior written notice to the Holders as described under the heading "—*Selection and Notice*," at a redemption price equal to 103% of the principal amount of the Fixed Rate Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to (but not including) the applicable redemption date.

At any time and from time to time on or after January 15, 2023, the Issuer may redeem the Fixed Rate Notes, in whole or in part, at its option, upon not less than ten (10) nor more than 60 days' prior notice at the redemption prices (expressed as percentages of principal amount of the Fixed Rate Notes to be redeemed) set forth below, *plus* accrued and unpaid interest and Additional Amounts, if any, to (but not including) the applicable redemption date, if redeemed during the twelve-month period beginning January 15 of each of the years indicated below:

Year	Redemption Price
2023	101.875%
2024 and thereafter	100.000%

General

Subject to compliance with the covenants contained herein, the Issuer and its affiliates may at any time and from time to time purchase Notes. Any such purchases may be made through open market or privately negotiated transactions with third parties or pursuant to one or more tender or exchange offers or otherwise, upon such terms and at such prices as well as with such consideration as the Issuer or any such affiliates may determine.

Notice of redemption will be provided as set forth under "—*Selection and Notice*" below. To the extent that the mandatory rules and procedures of the applicable depositary conflict with the Indenture, any notice will be deemed to satisfy the Indenture if it complies with the mandatory rules and procedures of the applicable depositary.

If the Issuer effects an optional redemption of Notes, it will, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, inform the Luxembourg Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

In connection with any redemption of Notes, any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent (including, in the case of a redemption related to an Equity Offering, the consummation of such Equity Offering). In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice may state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied (*provided, however*, that, in any case, such redemption date shall be no more than 60 days from the date on which such notice is first given except that redemption notices may be delivered more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture pursuant to the provisions thereof), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed.

Notwithstanding the foregoing, in connection with any tender offer for any series of the Notes, including a Change of Control Offer or Asset Disposition Offer, if Holders of the applicable series of Notes of not less than 90% in aggregate principal amount of the applicable series of outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases, all of the applicable series of Notes validly tendered and not withdrawn by such Holders, the Issuer or such third party will have the right upon not less than ten (10) nor more than 60 days' prior notice, given not more than 30 days following such tender offer expiration date, to redeem the applicable Notes of such series that remain outstanding in whole, but not in part following such purchase at a price equal to the price offered to each other Holder (excluding any early tender or incentive fee) in such tender offer, *plus*, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding, such redemption date. In determining whether the Holders of at least 90% of the aggregate principal amount of the then outstanding Notes of a series have validly tendered and not validly withdrawn Notes in a tender offer, Change of Control Offer or Asset Disposition Offer, as applicable, Notes owned by an Affiliate of the Issuer or by funds controlled or managed by any Affiliate of the Issuer, or any successor thereof, shall be deemed to be outstanding for the purposes of such tender offer, Change of Control Offer or Asset Disposition Offer, as applicable.

Sinking Fund

The Issuer will not be required to make mandatory redemption payments or sinking fund payments with respect to the Notes prior to their maturity date.

In connection with any redemption of any Notes, neither the Trustee nor any Agent shall be required to pay out any money without first having been placed in funds.

Redemption at Maturity

On January 15, 2028, the Issuer will redeem the Fixed Rate Notes and Floating Rate Notes, as the case may be, that have not been previously redeemed or purchased and cancelled at 100% of their principal amount *plus* accrued and unpaid interest thereon and Additional Amounts, if any, to the redemption date.

Selection and Notice

If less than all of a series of Notes are to be redeemed at any time, the Paying Agent or the Registrar (as applicable) will select such series of Notes for redemption on a *pro rata* basis (or, in the case of Global Notes as discussed under "*Book-Entry, Delivery and Form*," based on a method that most nearly approximates a *pro rata* selection in accordance with the procedures of the relevant clearing system), unless otherwise required by law or applicable stock exchange, clearing system or depositary requirements. Neither the Trustee, the Paying Agent nor the Registrar will be liable for any selections made in accordance with this paragraph.

For so long as the applicable series of Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notice of redemption in a leading newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and in addition to such publication, not less than ten (10) nor more than 60 days prior to the redemption date, mail such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar (with a copy to the Trustee and the Paying Agent). For Notes which are represented by Global Notes held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing. Such notice of redemption may instead be published on the website of Luxembourg Stock Exchange (*www.bourse.lu*).

If any series of Notes is to be redeemed in part only, the notice of redemption that relates to such series of Notes shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Global Note, or otherwise in accordance with the then-existing procedures of the relevant clearing system, to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, the applicable series of Notes called for redemption become due on the date fixed for redemption. Unless the Issuer defaults in paying the redemption price, on and after the redemption date, interest will cease to accrue on the applicable series of Notes or portions of such series of Notes called for redemption.

Redemption for Taxation Reasons

The Issuer may redeem a series of the Notes in whole, but not in part, in its discretion at any time upon giving not less than ten (10) nor more than 60 days' prior written notice to the Holders of the applicable series of Notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to but excluding the date fixed for redemption (a "*Tax Redemption Date*") and all Additional Amounts (as defined below under "*Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer determines in good faith that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations, official guidance or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any amendment to, or change in an official application, administration or interpretation of such laws, treaties, regulations, official guidance or rulings (including by reason of a holding, judgment or order by a court of competent jurisdiction or a change in published practice or guidance) (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

a Payor (as defined below) is, or on the next interest payment date in respect of the relevant series of Notes would be, required to pay Additional Amounts with respect to such series of Notes (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts), and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Such Change in Tax Law must be both formally announced and become effective on or after the Issue Date (or if the applicable Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the Issue Date, such later date).

Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*Selection and Notice*." Notwithstanding the foregoing, no such notice of redemption will be given earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts. Prior to the publication or mailing of any notice of redemption of Notes pursuant to the foregoing, the Issuer will deliver to the Trustee and the Paying Agent (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right to so redeem have been satisfied and that it cannot avoid its obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing and reasonably satisfactory to the Trustee (such approval not to be unreasonably withheld) to the effect that the Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee and the Paying Agent will accept and shall be entitled to rely on such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without liability or further inquiry, in which event it will be conclusive and binding on the Holders.

The foregoing provisions will apply *mutatis mutandis* to the laws and official positions of any jurisdiction in which any successor to the Payor is incorporated or organized or otherwise considered to be a resident for tax purposes or any jurisdiction from or through which such successor makes any payment on the Notes or any Notes Guarantees, and any political subdivision or taxing authority or agency thereof or therein. The foregoing provisions will survive any termination, defeasance or discharge of the Indenture.

Withholding Taxes

All payments made by or on behalf of the Issuer or any Guarantor (including any successor entity) (each, a "*Payor*") in respect of the Notes or with respect to any Notes Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law or by the applicable taxing authority's interpretation or administration thereof. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) any jurisdiction from or through which payment on any such Note is made, or any political subdivision or governmental authority thereof or therein having the power to tax, by or on behalf of any Payor or the Paying Agent; or

(2) any other jurisdiction in which a Payor is organized or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1) and (2), a "*Relevant Taxing Jurisdiction*"),

will at any time be required by law to be made from any payments made by or on behalf of the Payor or the Paying Agent with respect to any Note or any Notes Guarantee, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received by each Holder in respect of such payments, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received by each Holder in respect of such payments on any such Note in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes, to the extent that such Taxes would not have been so imposed but for the existence of any present or former connection between the relevant Holder or the beneficial owner (or between a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over the relevant Holder or the beneficial owner, if the relevant Holder or the beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including being resident for tax purposes, or being a citizen or resident or national of,

or carrying on a business or maintaining a permanent establishment in or having a place of management present or deemed present, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or the receipt of any payment or the exercise or enforcement of rights under such Note, the Indenture or a Notes Guarantee;

(2) any Tax, to the extent that such Tax is imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a written request of the Payor or Paying Agent addressed to the Holder, after reasonable notice (at least 30 days before any such withholding or deduction is payable), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a law, statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from, or reduction in the rate of, all or part of such Tax but only to the extent the Holder or beneficial owner is legally entitled to do so;

(3) any Taxes, to the extent that such Taxes are imposed as a result of the presentation of the Note for payment (where Notes are in the form of Definitive Registered Notes and presentation required) more than 30 days after the relevant payment is first made available for payment to the Holder;

(4) any Taxes that are payable otherwise than by deduction or withholding from a payment on or with respect to the Notes or with respect to any Notes Guarantee;

(5) any estate, inheritance, gift, sales, excise, transfer, personal property or similar tax, assessment or other governmental charge;

(6) any Taxes to the extent such Taxes are on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of April 1, 1996, as amended or supplemented from time to time ("*Legislative Decree No. 239*") and any related implementing regulations, and pursuant to Italian Legislative Decree No. 461 of November 21, 1997, as amended or supplemented from time to time ("*Legislative Decree No. 461*") and any related implementing regulations, *provided* that:

    (i) Additional Amounts shall be payable in circumstances where the procedure required under Legislative Decree No. 239 or Legislative Decree No 461 in order to benefit from an exemption from *imposta sostitutiva* have not been complied with, solely due to the actions or omissions of the Issuer; and

    (ii) for the avoidance of doubt, (A) no Additional Amounts shall be payable with respect to any Taxes to the extent that such Taxes result from payment to a non-Italian resident legal entity or a non-Italian resident individual which are subject to *imposta sostitutiva* by reason of not being resident in a country which allows for a satisfactory exchange of information with Italy included in the "*White List*" provided for by Decree of Minister of Economy and Finance of September 4, 1996, as subsequently amended or supplemented or replaced, or, once effective, in any other decree or regulation that will be issued in the future under the authority of Article 11(4)(c) of Legislative Decree No. 239) and (B) no Additional Amounts shall be payable with respect to Taxes to the extent such Taxes are on account of *imposta sostitutiva* if the holder becomes subject to *imposta sostitutiva* after the Issue Date by reason of the approval of any decree or regulation that will be issued pursuant to Article 11(4)(c) of Legislative Decree No. 239 which may amend or supersede the list of the countries which allow for a satisfactory exchange of information with Italy, whereby such holder's country of residence does not appear on the new list;

(7) any Taxes required to be deducted or withheld pursuant to section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "*Code*"), or otherwise imposed pursuant to sections 1471 through 1474 of the Code, in each case, as of the Issue Date (or, in each case, any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental agreement relating thereto; or

(8) any combination of the items (1) through (7) above.

In addition, no Additional Amounts shall be paid with respect to a Holder who is a fiduciary or a partnership or any person other than the beneficial owner of the Notes, to the extent that the beneficiary or settler with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settler, member or beneficial owner held such Notes directly.

The Payor or any Paying Agent so required will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes and will provide such certified copies, or if, notwithstanding the Payor's reasonable efforts to obtain such tax receipts, such tax receipts are not available, certified copies of other reasonable evidence of such payments as soon as reasonably practicable to the Trustee and the Paying Agent. If obtained, such copies shall be made available to the Holders upon reasonable request, and will be made available at the offices of the Paying Agent.

If any Payor is obligated to pay Additional Amounts under or with respect to any payment made on any Note or any Notes Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee and the Paying Agent an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date the is 30 days prior to the payment date). The Trustee and the Paying Agent shall be entitled to rely solely, without further inquiry, on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in either the Indenture or this "*Description of the Notes*" there are mentioned, in any context:

(1) the payment of principal;

(2) purchase prices in connection with a purchase of Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Notes or any Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay each applicable Holder, the Trustee and the Paying Agent for any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest or penalties with respect thereto) or any other excise, property or similar taxes or similar charges or levies (including any related interest or penalties with respect thereto) that arise in a Relevant Taxing Jurisdiction from the execution, delivery, registration, enforcement of, or receipt of payments with respect to any Notes, any Notes Guarantee, the Indenture, or any other document or instrument in relation thereto (other than in each case, (A) in connection with a transfer of the Notes after this offering of the Notes, (B) to the extent that such stamp, issue, registration, court or documentary taxes, or any similar charges or levies becomes payable upon a voluntary registration made by the Holder if such registration is not required by any applicable law or not necessary to maintain, preserve, establish or enforce the rights or obligations of any Holder in relation to the Notes, any Note Guarantees, the Indenture, or any other document or instrument in relation thereto, and (C) any wealth tax (including Italian wealth tax on financial assets held abroad ("*IVAFE*") as regulated by article 19 of Law Decree no. 201/2011, and proportional stamp duties ("*imposta di bollo*") as regulated by Article 13, para. 2-ter of the tariff Part I attached to Presidential Decree no. 642/1972 and limited, solely to the extent of such taxes or similar charges or levies that arise from the receipt of any payments of principal or interest on the Notes, to any such taxes or similar charges or levies that are not excluded under clauses (1) through (3) and (5) through (7) of the first paragraph of this covenant or any combination thereof.

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture, any transfer of the Notes by a Holder or beneficial owner, and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is organized, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Notes (or any Notes Guarantee) is made by or on behalf of such Payor, or any political subdivision or taxing authority or agency thereof or therein having the power to tax.

Change of Control

The Indenture will provide that if a Change of Control Triggering Event occurs, subject to the terms of the covenant described under this section, each Holder will have the right to require the Issuer to repurchase all or any part (equal to €100,000 or integral multiples of €1,000 in excess thereof; *provided* that Notes of €100,000 or less may only be redeemed in whole and not in part) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes repurchased, *plus* accrued and unpaid interest and Additional Amounts, if any, to but excluding the date of repurchase; *provided, however*, that the Issuer shall not be obligated to repurchase Notes as described in this section in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes and given notice of redemption as described under "*—Optional Redemption*."

Unless the Issuer has unconditionally exercised its right to redeem all the Notes and given notice of redemption as described under "*—Optional Redemption*," no later than the date that is 60 days after any Change of Control Triggering Event, the Issuer will deliver or cause to be delivered a notice (the "*Change of Control Offer*") to each Holder of any such Notes, with a copy to the Trustee:

(1) stating that a Change of Control Triggering Event has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes *plus* accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (the "*Change of Control Payment*");

(2) stating the repurchase date (which shall be no earlier than ten (10) days nor later than 60 days from the date such notice is mailed) (the "*Change of Control Payment Date*");

(3) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Notes or part thereof not tendered will continue to accrue interest;

(4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control Triggering Event;

(5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and

(6) if such notice is mailed prior to the occurrence of a Change of Control Triggering Event, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control Triggering Event.

On the Change of Control Payment Date, if the Change of Control Triggering Event shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portion thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee and the Paying Agent an Officer's Certificate stating the aggregate principal amount of Notes or portions of the Notes being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, in accordance with the then-applicable procedures of the relevant clearing system, to the Trustee (or an authenticating agent) the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agent will promptly, at the cost of the Issuer, mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee (or an authenticating agent) will, at the cost of the Issuer, promptly authenticate and mail (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notices relating to the Change of Control Offer in a leading newspaper of general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or to the extent and in the manner permitted by such rules, post such notices on the official website of Luxembourg Stock Exchange (*www.bourse.lu*).

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not or will not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. Holders' right to require the Issuer to repurchase Notes upon the occurrence of a Change of Control Triggering Event may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

Subject to the limitations discussed herein, we could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control Triggering Event under the Indenture, but that could increase the amount of Indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings. Restrictions on our ability to Incur additional Indebtedness are contained in the covenants described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness*" and, in the case of Consolidated Total Secured Indebtedness, "*—Certain Covenants—Liens*." Such restrictions in the Indenture can be waived only with the consent of the Holders of a majority in principal amount of all the then outstanding Notes. Except for the limitations contained in such covenants, however, the Indenture will not contain any covenants or provisions that may afford Holders of the Notes protection in the event of a highly leveraged transaction.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control Triggering Event if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place providing for the Change of Control at the time the Change of Control Offer is made.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control may require a mandatory prepayment of Indebtedness under the Bridge Facility, the Revolving Facility Agreement and/or Guarantee Facility Agreement. In addition, certain events that may constitute a change of control under the Bridge Facility, the Revolving Facility Agreement and/or Guarantee Facility Agreement and require a mandatory prepayment of Indebtedness under such agreement may not constitute a Change of Control under the Indenture. Future Indebtedness of the Issuer or the Restricted Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The Issuer may not have sufficient funds or may be unable to arrange for* *additional financing to pay amounts that might become due and payable upon the occurrence of an event of default, at final maturity or upon a change of control.*"

The definition of "*Change of Control*" includes a disposition, in one or a series of related transactions, of all or substantially all of the property and assets of the Issuer to specified other persons. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property and assets of the Issuer. As a result, it may be unclear as to whether a Change of Control Triggering Event has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control Triggering Event may be waived or modified with the written consent of Holders of a majority in outstanding aggregate principal amount of the Notes.

Certain Covenants

Set forth below are summaries of certain covenants that will be contained in the Indenture. For the avoidance of doubt, the consummation of any of the Transactions or the Delisting Merger, the Debt Push Merger or the Target Merger shall not be prohibited by the covenants below.

The Issuer's obligations in respect of the Target Group shall be limited to a requirement to use commercially reasonable endeavors to procure compliance to the extent the Issuer is able to do so having regard to the proportion of shares it holds (directly or indirectly) in the Target.

Limitation on Indebtedness

The Issuer will not, and will not permit any of the Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness) and the Issuer will not issue Disqualified Stock and will not permit any of the Restricted Subsidiaries to issue Preferred Stock; *provided* that the Issuer and any of the Restricted Subsidiaries may Incur Indebtedness (including Acquired Indebtedness) and the Issuer may issue Disqualified Stock and any of the Restricted Subsidiaries may issue Preferred Stock, if on the date of determination and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof), the Fixed Charge Coverage Ratio of the Issuer and the Restricted Subsidiaries is at least 2.00 to 1.00.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness (collectively, "*Permitted Debt*"):

(1) the Incurrence by the Issuer or any of the Restricted Subsidiaries of Indebtedness under any Credit Facility (and the issuance and creation of letters of credit, guarantees and bankers' acceptances thereunder) in an aggregate principal amount at any time outstanding not to exceed the sum of:

  (a) the aggregate of an amount equal to the greater of (x) €150.0 million and (y) 65% of LTM EBITDA; *plus* solely under the Guarantee Facility, an amount equal to the greater of (x) €250.0 million and (y) 85% of LTM EBITDA; *plus*

  (b) the maximum amount of Senior Secured Indebtedness such that, on the date of determination, after giving *pro forma* effect to such Incurrence, the Consolidated Senior Secured Net Leverage Ratio of the Issuer and the Restricted Subsidiaries does not exceed 4.10 to 1.00; *plus*

  (c) the maximum amount of Indebtedness that is secured by a Permitted Collateral Lien but is not Senior Secured Indebtedness ("*Junior Secured Indebtedness*") such that, on the date of determination, after giving *pro forma* effect to such Incurrence, either (x) the Consolidated Total Secured Net Leverage Ratio of the Issuer and the Restricted Subsidiaries does not exceed 4.35 to 1.00 or (y) the Fixed Charge Coverage Ratio of the Issuer and the Restricted Subsidiaries is at least 2.00 to 1.00; *plus*

  (d) the maximum amount of Indebtedness that is not Senior Secured Indebtedness or Junior Secured Indebtedness such that, on the date of determination, after giving *pro forma* effect to such Incurrence, the Consolidated Total Net Leverage Ratio of the Issuer and the Restricted Subsidiaries does not exceed 4.75 to 1.00, *provided* that, in each case, any Indebtedness Incurred pursuant to this clause (1) may be refinanced at any time if the principal amount of the Indebtedness Incurred in the refinancing does not exceed the greater of (i) the aggregate principal amount of Indebtedness permitted to be Incurred pursuant to the applicable sub-clause of this clause (1) on the date of determination for such refinancing and (ii) the aggregate principal amount of the Indebtedness being refinanced at such time (together with an amount necessary to pay accrued and unpaid interest and any fees, costs and expenses, including any premium and defeasance costs, indemnity fees, discounts, premiums (including tender premiums), penalties, interest or hedging break costs, accrued and unpaid interest and any related stamp or other taxes, notarial, registration or similar fees and other fees, costs and expenses (including original issue discount, upfront fees, or similar fees in respect of the Indebtedness Incurred to effect such refinancing) Incurred or payable in connection with such refinancing);

(2) any (a) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness or other obligations is not prohibited by the terms of the Indenture and (b) without limiting the covenant described under "—*Limitation on Liens*," Indebtedness arising by reason of any Lien granted by or applicable to such person securing Indebtedness of the Issuer or any Restricted Subsidiary, in each case, so long as the Incurrence of such Indebtedness or other obligations is not prohibited by the terms of the Indenture;

(3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary;

(4) Indebtedness represented by (a) Indebtedness of the Target Group outstanding as of the Issue Date or Incurred under a facility committed or available for utilization and as in effect as of the Issue Date (other than the Revolving Facility and the Guarantee Facility); (b) Refinancing Indebtedness Incurred in respect of any Indebtedness described in (x) this clause (4) (other than Refinancing Indebtedness in the form of Senior Secured Indebtedness to refinance all or a portion of the Target Existing Debt Facilities (including any related Guarantees and/or "parallel debt" obligations)), (y) in clause (5) of this paragraph or (z) Incurred pursuant to the first paragraph of this covenant; (c) other Indebtedness Incurred to finance Management Advances; (d) Obligations under the Notes as of the Issue Date and the Notes Guarantees (including any future Guarantees) and any proceeds loans related thereto; (e) Indebtedness of up to €700 million of Senior Secured Indebtedness Incurred as MTO Acquisition Debt (including any related Guarantees and/or "parallel debt" obligations) *minus* the sum of amounts (i) Incurred under (or deemed Incurred as a Reserved Indebtedness Amount) the Bridge Facility, and (ii) Incurred under the Notes issued on the Issue Date. in each case other than for the purpose of refinancing all or a portion of the Target Existing Debt Facilities; and (f) Indebtedness of up to €550 million of Senior Secured Indebtedness to refinance all or a portion of the Target Existing Debt Facilities (including any related Guarantees and/or "parallel debt" obligations) *minus* the sum of amounts (i) Incurred under (or deemed Incurred as a Reserved Indebtedness Amount) the Bridge Facility, and (ii) Incurred under the Notes issued on the Issue Date, in each case to refinance all or a portion of the Target Existing Debt Facilities;

(5) Indebtedness (x) of the Issuer or any Restricted Subsidiary or any person that will be a Restricted Subsidiary or that will be merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary, Incurred or issued to finance an acquisition (including an acquisition of any assets), merger, amalgamation, consolidation or capital expenditure or other similar transaction or (y) of persons that are, or secured by any assets that are, acquired by the Issuer or any Restricted Subsidiary or merged into, amalgamated or consolidated with the Issuer or a Restricted Subsidiary in accordance with the terms of the Indenture or (z) any Acquired Indebtedness, in an unlimited amount, to the extent that after giving effect to such acquisition, merger, amalgamation, consolidation or capital expenditure or other similar transaction, either:

   (i) (I) if such Indebtedness is not Senior Secured Indebtedness or Junior Secured Indebtedness, the Issuer would be permitted to Incur at least €1.00 of additional Indebtedness pursuant to the first paragraph or clause (1)(d) of the second paragraph of this covenant, or (II) if such Indebtedness is Junior Secured Indebtedness, the Issuer would be permitted to Incur at least €1.00 of additional Junior Secured Indebtedness pursuant to clause (1)(c) of the second paragraph of this covenant, or (III) if such Indebtedness is Senior Secured Indebtedness, the Issuer would be permitted to Incur at least €1.00 of additional Senior Secured Indebtedness pursuant to clause (1)(b) of the second paragraph of this covenant; or

(ii) (I) if such Indebtedness is not Senior Secured Indebtedness or Junior Secured Indebtedness, either the Fixed Charge Coverage Ratio of the Issuer and the Restricted Subsidiaries would not be lower, or the Consolidated Total Net Leverage Ratio of the Issuer and the Restricted Subsidiaries would not be higher, or (II) if such Indebtedness is Junior Secured Indebtedness, either the Fixed Charge Coverage Ratio of the Issuer and the Restricted Subsidiaries would not be lower, or the Consolidated Total Secured Net Leverage Ratio of the Issuer and the Restricted Subsidiaries would not be higher or, (III) if such Indebtedness is Senior Secured Indebtedness, the Consolidated Senior Secured Net Leverage Ratio of the Issuer and the Restricted Subsidiaries would not be higher, in each case, than it was immediately prior to such acquisition, merger, amalgamation, consolidation or capital expenditure or other similar transaction;

(6) Hedging Obligations (excluding Hedging Obligations entered into for speculative purposes as determined in good faith by the Issuer);

(7) Indebtedness (a) represented by Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7)(a) and any Refinancing Indebtedness in respect thereof and then outstanding, does not exceed the greater of (x) €114.9 million and (y) 37.5% of LTM EBITDA at the time of Incurrence (*provided* that, in each case, the Indebtedness exists on the date of such purchase, lease, rental, construction, design, installation or improvement or is created within 365 days thereafter) or (b) arising out of Sale and Leaseback Transactions and any Refinancing Indebtedness Incurred in respect thereof;

(8) Indebtedness in respect of (a) workers' compensation claims, old-age-part-time arrangements, self-insurance obligations, unemployment insurance (including premiums related thereto), other types of social security, pension obligations, or partial retirement obligations, vacation pay, health, disability or other employee benefits, customer guarantees performance, indemnity, surety, judgment, appeal, advance payment (including progress premiums), customs, value added or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or consistent with past practice; (b) the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business or consistent with past practice; *provided* that such Indebtedness is extinguished within five Business Days of Incurrence; (c) customer deposits and advance payments (including progress premiums) received in the ordinary course of business or consistent with past practice from customers for goods or services purchased in the ordinary course of business or consistent with past practice; (d) letters of credit, bankers' acceptances, warehouse receipts, guarantees, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, reverse factoring arrangements in the ordinary course of business or consistent with past practice or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business or consistent with past practice; (e) the financing of insurance premiums, take-or-pay obligations contained in supply arrangements, any customary treasury and/or cash management services, depositary, cash management, credit card processing, automatic clearinghouse arrangements, overdraft protections, credit or debit card, purchase card, electronic funds transfer, the collection of checks and direct debits, cash pooling or netting or setting off arrangements or similar arrangements in the ordinary course of business or consistent with past practice; (f) Indebtedness representing (i) deferred consideration or compensation to current or former directors, officers, employees, members of management, managers and consultants of any Parent Entity, the Issuer or any of its Subsidiaries in the ordinary course of business or consistent with past practice, or (ii) deferred consideration or compensation or other similar arrangements in connection with any Investment or acquisition not prohibited under the Indenture; (g) short term borrowings of no longer than 30 Business Days owed to banks and other financial institutions Incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary with such banks or financial institutions that arises in connection with ordinary banking

arrangements to manage cash balances of the Issuer or any Restricted Subsidiary; and (h) Settlement Indebtedness;

(9) Indebtedness arising from agreements providing for Guarantees, indemnification, obligations in respect of earn-outs or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that the maximum liability of the Issuer and the Restricted Subsidiaries in respect of all such Indebtedness in connection with a disposition shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and the Restricted Subsidiaries in connection with such disposition;

(10) Indebtedness in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (10) and then outstanding and any Refinancing Indebtedness in respect thereof, will not exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock or otherwise contributed to the equity (in each case, other than through the issuance of Disqualified Stock, Designated Preferred Stock, an Excluded Contribution, an Equity Contribution or Excluded Amounts) of the Issuer, in each case, subsequent to the Issue Date; *provided* that (i) any such Net Cash Proceeds that are so received or contributed shall not increase the amount available for making Restricted Payments to the extent the Issuer and the Restricted Subsidiaries Incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (10) to the extent such Net Cash Proceeds or cash have been applied to make Restricted Payments;

(11) Indebtedness of Restricted Subsidiaries that are not Guarantors and Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of joint ventures in an aggregate amount not to exceed the greater of (a) €76.6 million and (b) 25.0% of LTM EBITDA at any time outstanding;

(12) Indebtedness consisting of promissory notes issued by the Issuer or any of the Restricted Subsidiaries to any future, present or former employee, director, contractor or consultant of the Issuer, any of its Subsidiaries or any Parent Entity (or permitted transferees, assigns, estates, or heirs of such employee, director, contractor or consultant), to finance the purchase or redemption of Capital Stock of the Issuer or any Parent Entity or payment of a transaction bonus that is permitted by the covenant described under "*—Limitation on Restricted Payments*";

(13) Indebtedness in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, together with any Refinancing Indebtedness in respect thereof, will not exceed the greater of (a) €153.2 million and (b) 50.0% of LTM EBITDA;

(14) Indebtedness Incurred pursuant to factoring financings, securitizations, asset-backed loans and financings (howsoever described or structured), receivables financings or similar arrangements, in each case, that are either: (a) not recourse to the Issuer or any Restricted Subsidiary other than a Securitization Subsidiary (except to the extent customary in the good faith determination of the Issuer for such type of arrangement and except for Standard Securitization Undertakings); (b) committed factoring arrangements in place prior to the date of the Indenture; or (c) not in excess of the greater of (x) €91.9 million and (y) 30.0% of LTM EBITDA at any time outstanding;

(15) any obligation, or guaranty of any obligation, of the Issuer or any Restricted Subsidiary to reimburse or indemnify a person extending credit to customers of the Issuer or a Restricted Subsidiary Incurred in the ordinary course of business or consistent with past practice for all or any portion of the amounts payable by such customers to the person extending such credit;

(16) Indebtedness to a customer to finance the acquisition of any equipment necessary to perform services for such customer; *provided* that (a) the repayment of such Indebtedness is conditional upon such customer ordering a specific volume of goods or (b) such Indebtedness does not bear interest or provide for scheduled amortization or maturity;

(17) Obligations in respect of Disqualified Stock of the Issuer, together with any Refinancing Indebtedness in respect thereof, in an amount not to exceed the greater of (x) €61.3 million and (y) 20.0% of LTM EBITDA outstanding at the time of Incurrence;

(18) Indebtedness of the Issuer or any of the Restricted Subsidiaries arising pursuant to any Permitted Tax Restructuring;

(19) any joint and several liability or any netting or set-off arrangements arising in each case by operation of law as a result of the existence or establishment of a fiscal unity for corporate income tax, trade tax or value added tax purposes or similar purposes or any analogous arrangement;

(20) Indebtedness or Disqualified Stock of the Issuer and Indebtedness, Disqualified Stock or Preferred Stock of any Restricted Subsidiary in an aggregate principal amount or liquidation preference, which, when aggregated with the principal amount and liquidation preference of all other Indebtedness, Disqualified Stock and Preferred Stock Incurred pursuant to this clause (20) and then outstanding and any Refinancing Indebtedness in respect thereof, does not at any time outstanding exceed the Available RP Capacity Amount (determined on the date of such Incurrence); *provided that* any Indebtedness, Disqualified Stock and Preferred Stock Incurred pursuant to this clause (20) shall reduce the amount available for making Restricted Payments pursuant to the covenant under "*—Limitation on Restricted Payments*" by an amount equal to the outstanding principal amount or liquidation preference of such Indebtedness, Disqualified Stock or Preferred Stock; and

(21) Indebtedness consisting of local lines of credit, bilateral facilities, overdraft facilities or local working capital facilities in an aggregate outstanding principal amount which, together with any Refinancing Indebtedness in respect thereof, will not exceed the greater of (a) €76.6 million and (b) 25.0% of LTM EBITDA.

Notwithstanding the foregoing, the amount of Indebtedness Incurred pursuant to the first paragraph of this covenant, clause (1) and clause (4)(b)(z) of the second paragraph of this covenant by Restricted Subsidiaries which are not Guarantors shall not in aggregate exceed the greater of (i) €306.3 million and (ii) 100% of LTM EBITDA at any time outstanding.

Notwithstanding the foregoing, prior to the occurrence of the earlier of the Target Merger or Delisting Merger, BidCo will not, and will not permit any Restricted Subsidiary that is a subsidiary of BidCo (other than Target and its subsidiaries) to, Incur any Indebtedness (including Acquired Indebtedness) or issue Preferred Stock, except for Indebtedness owing to or held by the Issuer.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that all or any portion of any item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) meets the criteria of more than one of the categories of Permitted Debt or is entitled to be Incurred pursuant to the first paragraph of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and will only be required to include, in any manner that complies with this covenant, the amount and type of such Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) in the first paragraph or any provision of the second paragraph of this covenant, and Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness, *provided that* no Indebtedness Incurred under clause (1)(a) of the second paragraph of this covenant may be reclassified;

(2) with respect to clauses (7), (11), (13), (14), (17), (20) or (21) of the second paragraph of this covenant, if at any time that the Issuer would be entitled to have Incurred any then outstanding item of Indebtedness pursuant to the first paragraph of this covenant or pursuant to clause (1)(b), (1)(c) or (1)(d) of the second paragraph of this covenant, such item of Indebtedness shall (unless otherwise elected by the Issuer) be automatically reclassified into an item of Indebtedness Incurred pursuant to the first paragraph of this covenant or pursuant to clause (1)(b), (1)(c) or (1)(d) of the second paragraph of this covenant, as applicable;

(3) for purposes of determining compliance with this covenant, with respect to Indebtedness Incurred under a Credit Facility, re-borrowings of amounts previously repaid pursuant to a "*cash sweep*" or "*clean down*" provisions or any similar provisions under a Credit Facility that provide that Indebtedness is deemed to have been repaid periodically shall only be deemed for the purposes of this covenant to have been Incurred on the date such Indebtedness was first Incurred and not on the date of any subsequent re-borrowing thereof;

(4) in the case of any Refinancing Indebtedness, when measuring the outstanding amount of such Indebtedness, such amount shall not include any amounts necessary to pay accrued and unpaid interest and any fees and expenses, including any premium and defeasance costs, indemnity fees, discounts, premiums (including tender premiums), penalties, interest or hedging break costs, and any related stamp or other taxes, notarial, registration or similar fees and other costs, fees and expenses (including original issue discount, upfront fees or similar fees in respect of such Refinancing Indebtedness) Incurred or payable in connection with such refinancing;

(5) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(6) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to any clause of the first or the second paragraphs of this covenant and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(7) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(8) in the event that the Issuer or a Restricted Subsidiary enters into or increases commitments under a revolving credit facility, enters into any commitment to Incur or issue Indebtedness or commits to Incur any Lien pursuant to clause (29) of the definition of "*Permitted Liens*," the Incurrence or issuance thereof for all purposes under the Indenture, including for purposes of calculating the Fixed Charge Coverage Ratio, the Consolidated Senior Secured Net Leverage Ratio, the Consolidated Total Secured Net Leverage Ratio or the Consolidated Total Net Leverage Ratio, as applicable, or usage of any clause of the second paragraph of this covenant (if any) for borrowings and re-borrowings thereunder (and including issuance and creation of letters of credit and bankers' acceptances thereunder) will, at the Issuer's option, either (a) be determined (i) on the date of such revolving credit facility or such entry into or increase in commitments (assuming that the full amount thereof (or, at the option of the Issuer, a portion thereof) has been borrowed as of such date) or other Indebtedness, Disqualified Stock or Preferred Stock (in each case, pursuant to any letter, agreement or instrument, which may be conditional, including as to documentation) and/or (ii) on the date on which such facility or commitments become available (assuming that the full amount thereof (or, at the option of the Issuer, a portion thereof) has been borrowed as of such date), and, if such Fixed Charge Coverage Ratio, the Consolidated Senior Secured Net Leverage Ratio, the Consolidated Total Secured Net Leverage Ratio or the Consolidated Total Net Leverage Ratio, as applicable, test or other provision of the Indenture is satisfied with respect thereto at such time, any borrowing or re-borrowing thereunder (and the issuance and creation of letters of credit and bankers' acceptances thereunder) will be permitted under this covenant irrespective of the Fixed Charge Coverage Ratio, the Consolidated Senior Secured Net Leverage Ratio, the Consolidated Total Secured Net Leverage Ratio or the Consolidated Total Net Leverage Ratio, as applicable, or other provision of the Indenture at the time of any borrowing or re-borrowing (or issuance or creation of letters of credit or bankers' acceptances thereunder) (the committed amount permitted to be borrowed or reborrowed (and the issuance and creation of letters of credit and bankers' acceptances) on a date pursuant to the operation of this sub-clause (a) shall be (in each case, solely to the extent that such committed amount, when borrowed or reborrowed, would constitute Indebtedness) the "*Reserved Indebtedness Amount*" as of such date for purposes of the Fixed Charge Coverage Ratio, the Consolidated Senior Secured Net Leverage Ratio, the Consolidated Total Secured Net Leverage Ratio or the Consolidated Total Net Leverage Ratio, as applicable, and, to the extent of the usage of any clause of the second paragraph of this covenant (if any), shall be deemed to be Incurred and outstanding under such clause), or (b) be determined on the date such amount is borrowed pursuant to any such facility or increased commitment, and in each case, the Issuer may revoke such determination and/or make an alternate determination at any time and from time to time;

(9) in the event that the Issuer or a Restricted Subsidiary (x) Incurs Indebtedness to finance an acquisition (including an acquisition of assets), merger, amalgamation, consolidation, capital expenditure or other similar transaction or (y) assumes Indebtedness of persons that are, or

secured by assets that are, acquired by the Issuer or any Restricted Subsidiary or merged into, amalgamated or consolidated with, the Issuer or a Restricted Subsidiary in accordance with the terms of the Indenture or (z) commits to an acquisition or transaction pursuant to which it may Incur Acquired Indebtedness, the date of determination of LTM EBITDA, the Fixed Charge Coverage Ratio, the Consolidated Senior Secured Net Leverage Ratio, the Consolidated Total Secured Net Leverage Ratio or the Consolidated Total Net Leverage Ratio, as applicable, shall, at the option of the Issuer, be (a) the date that a definitive agreement, put option or similar arrangement for such acquisition, transaction, merger, amalgamation or consolidation is entered into and the LTM EBITDA, Fixed Charge Coverage Ratio, the Consolidated Senior Secured Net Leverage Ratio, the Consolidated Total Secured Net Leverage Ratio or the Consolidated Total Net Leverage Ratio, as applicable, shall be calculated giving *pro forma* effect to such acquisition and the other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) consistent with the definition of the LTM EBITDA, Fixed Charge Coverage Ratio, the Consolidated Senior Secured Net Leverage Ratio, the Consolidated Total Secured Net Leverage Ratio or the Consolidated Total Net Leverage Ratio, as applicable, and, for the avoidance of doubt, (A) if any such ratios are exceeded as a result of fluctuations in such ratio (including due to fluctuations in the Consolidated EBITDA of the Issuer or the target company) at or prior to the consummation of the relevant acquisition, such ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether such acquisition and any related transactions are permitted hereunder and (B) such ratios shall not be tested at the time of consummation of such acquisition, transaction, merger, amalgamation or consolidation; *provided* that if the Issuer elects to have such determinations occur at the time of entry into such definitive agreement, put option or similar arrangement, (i) any such transaction shall be deemed to have occurred on the date the definitive agreement, put option or similar arrangement is entered into and to be outstanding thereafter for purposes of calculating any ratios under the Indenture after the date of such agreement and before the earlier of the date of consummation of such acquisition or the date such agreement is terminated or expires without consummation of such acquisition and (ii) to the extent any covenant baskets were utilized in satisfying any covenants, such baskets shall be deemed utilized until the earlier of the date of consummation of such acquisition or the date such agreement is terminated or expires without consummation of such acquisition, but any calculation of LTM EBITDA or Consolidated EBITDA for purposes of other Incurrences of Indebtedness or Liens or making of Restricted Payments (not related to such acquisition) shall not reflect such acquisition until it has been consummated, unless such other Incurrence of Indebtedness or Liens is conditional or contingent on the occurrence of such acquisition or (b) the date such Indebtedness is borrowed or assumed;

(10) notwithstanding anything in this covenant to the contrary, in the case of any Indebtedness Incurred to refinance Indebtedness initially Incurred in reliance on a clause of the second paragraph of this covenant measured by reference to a percentage of LTM EBITDA at the time of Incurrence, if such refinancing would cause the percentage of LTM EBITDA restriction to be exceeded if calculated based on the percentage of LTM EBITDA on the date of such refinancing, such percentage of LTM EBITDA restriction shall not be deemed to be exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced, *plus* premiums (including tender premiums), defeasance, costs indemnities, discounts, penalties, interest or hedging break costs, accrued and unpaid interest and any related stamp or other taxes, notarial, registration or similar fees and other costs, fees and expenses (including original issue discount, upfront fees or similar fees) Incurred or payable and fees in connection with such refinancing; and

(11) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS.

Accrual and/or capitalization of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares or Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS, will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant; *provided* that the amount of any Refinancing Indebtedness in respect of any outstanding Indebtedness may (in the Issuer's sole discretion) be increased by the amount of all such accrued and/or capitalised interest, accreted value, original issue discount and/or additional Indebtedness in respect of such Indebtedness and such increased amount will not be deemed to be Indebtedness for the purpose of calculating any basket, permission or threshold under which such Refinancing Indebtedness is permitted to be Incurred.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under this covenant, the Issuer shall be in default of this covenant).

For purposes of determining compliance with any Euro-denominated restriction on the Incurrence of Indebtedness, the Euro equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was first committed or first Incurred (whichever yields the lower Euro equivalent); *provided* that notwithstanding anything in the Indenture, for the purpose of the Incurrence of any Indebtedness, the Issuer may elect to account for any such Indebtedness denominated in a foreign currency at the relevant currency exchange rate in effect on the determination date for the Incurrence of such Indebtedness; *and further provided* that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable Euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such Euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed (x) the principal amount of such Indebtedness being refinanced *plus* (y) the aggregate amount of fees, underwriting discounts, accrued and unpaid interest, premiums (including tender premiums) penalties, interest or hedging break costs, accrued and unpaid interest and any related stamp or other taxes, notarial, registration or similar fees and other fees, costs and expenses (including original issue discount, upfront fees or similar fees) Incurred in connection with such refinancing.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Indebtedness is denominated that is in effect on the date of such refinancing.

Notwithstanding any other provision of this covenant, prior to a Delisting only, no Indebtedness may be Incurred by Target or the Target Restricted Subsidiaries under the first paragraph of this covenant, but without prejudice to any other basket or threshold set out in this covenant.

If an item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) is committed, Incurred or issued, any Lien is committed or Incurred or any other transaction is undertaken, in reliance on any ratio-based basket or permission (including but not limited to the Fixed Charge Coverage Ratio, the Consolidated Senior Secured Net Leverage Ratio, the Consolidated Total Secured Net Leverage Ratio or the Consolidated Total Net Leverage Ratio) such ratio(s) shall be calculated without regard to the Incurrence of and without including any Indebtedness under any revolving facility, letter of credit facility or any credit facility available for redrawing (however so described or structured).

Limitation on Restricted Payments

The Issuer will not, and will not permit any of the Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any distribution on or in respect of the Issuer's or any Restricted Subsidiary's Capital Stock (including any such payment in connection with any merger or consolidation involving the Issuer or any of the Restricted Subsidiaries) except:

   (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer or in Subordinated Shareholder Funding;

   (b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or another Restricted Subsidiary on no more than a pro rata basis); and

(c) dividends or distributions payable to any Parent Entity to fund interest payments in respect of Indebtedness of such Parent Entity which is Guaranteed by the Issuer or any Restricted Subsidiary or is otherwise considered Indebtedness of the Issuer or any Restricted Subsidiary, *provided* that (x) any net proceeds from such Indebtedness that are contributed to the equity of the Issuer or any Restricted Subsidiary in any form or otherwise received by the Issuer or any Restricted Subsidiary shall be excluded for purposes of increasing the amount available for distribution pursuant to clause (c) below of the first paragraph of this covenant and shall not be Excluded Contributions; and (y) in the case that any net proceeds described in sub-clause (x) above are contributed to or received by the Issuer or the Restricted Subsidiaries in the form of Indebtedness, there shall be no double-counting of interest paid on such Indebtedness and any dividends or distributions payable to the relevant Parent Entity to fund interest payments in respect of Indebtedness of such Parent Entity;

(2) purchase, repurchase, redeem, retire or otherwise acquire or retire for value any Capital Stock of the Issuer or any Parent Entity held by persons other than the Issuer or a Restricted Subsidiary;

(3) purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such purchase, repurchase, redemption, defeasance or other acquisition or retirement in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*");

(4) make any payment (whether of principal, interest or other amounts) on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Shareholder Funding (other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding); or

(5) make any Restricted Investment,

(any such dividend, distribution, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) above are referred to herein as a "*Restricted Payment*"), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

(a) (x) in respect of any Restricted Payments referred to in clause (1) or (2) above only, an Event of Default shall have occurred and is continuing, and (y) in respect of any Restricted Payments referred to in clauses (3), (4) or (5) above only, an Event of Default under clauses (1), (2) or (5) of the first paragraph of the covenant described under "*—Events of Default*" shall have occurred and is continuing;

(b) the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" immediately after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments made pursuant to clauses (1) and (10)(a) of the third paragraph of this covenant, but excluding all other Restricted Payments permitted by the third paragraph of this covenant) would exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the fiscal quarter in which the Issue Date occurs to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer are available *provided* that the amount taken into account pursuant to this sub-clause (i) shall not be less than zero; *plus*

(ii) 100% of the aggregate amount of cash, and the fair market value of property or assets or marketable securities, received by the Issuer from the issue or sale of its Subordinated Shareholder Funding or Capital Stock or as the result of a merger or consolidation with another person subsequent to the Issue Date or otherwise contributed to the equity (in each case other than through the issuance of Disqualified Stock or Designated Preferred

Stock) of the Issuer subsequent to the Issue Date (other than (v) Subordinated Shareholder Funding or Capital Stock sold to a Subsidiary of the Issuer, (w) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of their employees to the extent funded by the Issuer or any Restricted Subsidiary, (x) cash or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the third paragraph of this covenant, (y) Excluded Contributions and (z) Equity Contributions); *plus*

(iii) 100% of the aggregate amount of cash, and the fair market value of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than (x) Subordinated Shareholder Funding or (y) Capital Stock sold to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of their employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness, Disqualified Stock or Designated Preferred Stock that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preferred Stock) *plus*, without duplication, the amount of any cash, and the fair market value of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary upon such conversion or exchange; *plus*

(iv) 100% of the aggregate amount received in cash and the fair market value, as determined in good faith by the Issuer, of marketable securities or other property received by the Issuer or any Restricted Subsidiary by means of: (i) the sale or other disposition (other than to the Issuer or a Restricted Subsidiary) of Restricted Investments made by the Issuer or the Restricted Subsidiaries and repurchases and redemptions of such Restricted Investments from the Issuer or the Restricted Subsidiaries and repayments of loans or advances, and releases of guarantees, which constitute Restricted Investments by the Issuer or the Restricted Subsidiaries, in each case after the Issue Date; or (ii) the sale (other than to the Issuer or a Restricted Subsidiary) of the stock of an Unrestricted Subsidiary or a distribution from an Unrestricted Subsidiary or a dividend from a person that is not a Restricted Subsidiary after the Issue Date (in each case, other than to the extent of the amount of the Investment that constituted a Permitted Investment or was made under clause (17) of the third paragraph of this covenant and will increase the amount available under the applicable clause of the definition of "*Permitted Investment*" or clause (17) of the third paragraph of this covenant, as the case may be); *plus*

(v) in the case of the re-designation of an Unrestricted Subsidiary as a Restricted Subsidiary or the merger, amalgamation or consolidation of an Unrestricted Subsidiary into the Issuer or a Restricted Subsidiary or the transfer of all or substantially all of the assets of an Unrestricted Subsidiary to the Issuer or a Restricted Subsidiary after the Issue Date, the fair market value of the Investment in such Unrestricted Subsidiary (or the assets transferred), as determined in good faith by the Issuer at the time of the re-designation of such Unrestricted Subsidiary as a Restricted Subsidiary or at the time of such merger, amalgamation or consolidation or transfer of assets (after taking into consideration any Indebtedness associated with the Unrestricted Subsidiary so designated or merged, amalgamated or consolidated or Indebtedness associated with the assets so transferred), other than to the extent of the amount of the Investment that constituted a Permitted Investment or was made under clause (17) of the third paragraph of this covenant and will increase the amount available under the applicable clause of the definition of "*Permitted Investment*" or clause (17) of the third paragraph of this covenant, as the case may be; *plus*

(vi) the greater of €122.5 million and 40.0% of LTM EBITDA.

Notwithstanding the foregoing, any amounts (such amounts, the "*Excluded Amounts*") that would otherwise be included in the calculation of the amount available for Restricted Payments pursuant to sub-clauses (ii) or (iii) of the preceding clause (c) will be excluded to the extent (1) such amounts result from the receipt of cash, property or assets or marketable securities received in connection with an event that would otherwise constitute a Change of Control Triggering Event pursuant to the definition thereof, (2) the purpose of the receipt of such cash, property or assets or marketable securities was to reduce the Consolidated Total Net Leverage Ratio of the Issuer so that there would be an occurrence of a Permitted Change of Control that would not otherwise have been achieved without the receipt of such cash, property or assets or marketable securities; and (3) no Change of Control Offer is made in connection with such event, or such requirement is not otherwise waived by Holders, in accordance with the requirements of the Indenture.

The foregoing provisions will not prohibit any of the following (collectively, "*Permitted Payments*"):

(1) the payment of any dividend or distribution or redemption or repurchase, within 60 days after the date of declaration thereof, if at the date of declaration or notice of redemption or payment such payment would have complied with the provisions of the Indenture or the redemption, repurchase or retirement of Indebtedness if, at the date of any redemption or repayment notice, such payment would have complied with the provisions of the Indenture as if it were and is deemed at such time to be a Restricted Payment at the time of such notice;

(2) (a) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Capital Stock of the Issuer ("*Treasury Capital Stock*") or Subordinated Indebtedness made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale of, Subordinated Shareholder Funding or Capital Stock of the Issuer (other than Disqualified Stock, Designated Preferred Stock or Equity Contributions) ("*Refunding Capital Stock*") or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preferred Stock, through an Excluded Contribution, Equity Contributions or Excluded Amounts) of the Issuer, *provided* that to the extent so applied, the Net Cash Proceeds, or fair market value of property or assets or of marketable securities, from such sale of Subordinated Shareholder Funding or Capital Stock or such contribution will be excluded from clause (c) of the first paragraph of this covenant, and (b) if immediately prior to the retirement of Treasury Capital Stock, the declaration and payment of dividends thereon was permitted under clause (13) of this paragraph, the declaration and payment of dividends on the Refunding Capital Stock (other than Refunding Capital Stock the proceeds of which were used to redeem, repurchase, retire or otherwise acquire any Capital Stock of a Parent Entity) in an aggregate amount per year no greater than the aggregate amount of dividends per annum that were declarable and payable on such Treasury Capital Stock immediately prior to such retirement;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*";

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*";

(5) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness or Disqualified Stock or Preferred Stock of a Restricted Subsidiary:

    (a) from Net Available Cash to the extent permitted pursuant to the covenant described under "*—Limitation on Sales of Assets and Subsidiary Stock*," but only if (and to the extent required) the Issuer shall have first complied with the terms described under "*—Limitation on Sales of Assets and Subsidiary Stock*" and purchased all the Notes tendered pursuant to any offer to repurchase the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness, Disqualified Stock or Preferred Stock; or

    (b) to the extent required by the agreement governing such Subordinated Indebtedness, Disqualified Stock or Preferred Stock, following the occurrence of (i) a Change of Control (or other similar event described therein as a "*change of control*") or (ii) an Asset Disposition (or other similar event described therein as an "*asset disposition*" or "*asset sale*"), but only if (and to the extent required) the Issuer shall have first complied with the provisions of the Indenture governing mandatory prepayment on a Change of Control or pursuant to the covenant described under "—*Limitation on Sales of Assets and Subsidiary Stock*," as applicable, prepaid all relevant amounts required to be prepaid pursuant to such mandatory prepayment provisions, or (as applicable) purchased all Notes tendered pursuant to any offer to repurchase the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness, Disqualified Stock or Preferred Stock; or

(c) consisting of Acquired Indebtedness, other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition;

(6) a Restricted Payment to pay for the repurchase, redemption, defeasance, cancellation, retirement or other acquisition or retirement for value of Capital Stock (including any options, warrants or other rights in respect thereof) (other than Disqualified Stock) of the Issuer or any Parent Entity held by any future, present or former employee, director or consultant of the Issuer, any of its Subsidiaries or any Parent Entity (or permitted transferees, assigns, estates, trusts or heirs of such employee, director, contractor or consultant) either pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement or upon the termination of such employee, director, contractor or consultant's employment or directorship; *provided* that the aggregate Restricted Payments made under this clause (6) do not exceed (x) the greater of (i) €45.9 million and (ii) 15.0% of LTM EBITDA in any fiscal year (with unused amounts in any fiscal year being carried forward to the next succeeding fiscal year and amounts that will not be used in the subsequent fiscal year being carried back to the immediately preceding fiscal year); or (y) subsequent to the consummation of an underwritten public Equity Offering of common stock of the Issuer, any IPO Entity or any Parent Entity, the greater of (i) €61.3 million and (ii) 20.0% of LTM EBITDA in any fiscal year (with unused amounts in any fiscal year being carried forward to the next succeeding fiscal year and amounts that will not be used in the subsequent fiscal year being carried back to the immediately preceding fiscal year); *provided further* that such amount in any fiscal year may be increased by an amount not to exceed:

(a) the cash proceeds from the issuance or sale of Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock or Designated Preferred Stock, Excluded Contributions, an Equity Contribution or Excluded Amounts) of the Issuer and, to the extent contributed to the capital of the Issuer (other than through the issuance of Disqualified Stock or Designated Preferred Stock, an Excluded Contribution, an Equity Contribution or Excluded Amounts), Subordinated Shareholder Funding or Capital Stock of any Parent Entity, in each case to members of management, directors or consultants of the Issuer, any of its Subsidiaries or any Parent Entity that occurred after the Issue Date, to the extent the cash proceeds from the sale of such Capital Stock or Subordinated Shareholder Funding have not otherwise been applied to the payment of Restricted Payments by virtue of clause (c) of the first paragraph of this covenant; *plus*

(b) the cash proceeds of key man life insurance policies received by the Issuer and the Restricted Subsidiaries after the Issue Date,

and *provided yet further* that (x) cancellation of Indebtedness owing to the Issuer or any Restricted Subsidiary from any future, present or former members of management, directors, employees, contractors or consultants of the Issuer or Restricted Subsidiaries or any Parent Entity and (y) the repurchase of Capital Stock deemed to occur upon the exercise of options, warrants or similar instruments if such Capital Stock represents all or a portion of the exercise price thereof or payments, in lieu of the issuance of fractional Capital Stock or withholding to pay other taxes payable in connection therewith, in the case of each of (x) and (y), in connection with a repurchase of Capital Stock of the Issuer or any Parent Entity will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provision of the Indenture;

(7) the declaration and payment of dividends (x) on Disqualified Stock or Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "—*Limitation on Indebtedness*," (y) to any Parent Entity, the proceeds of which will be used to fund the payment of dividends on Disqualified Stock or Preferred Stock issued by such Parent Entity, *provided* that the amount of dividends paid pursuant to this sub-clause (y) shall not exceed the

aggregate amount of cash actually contributed to the Issuer from the sale of such Disqualified Stock or Preferred Stock, or (z) on Refunding Capital Stock that is Preferred Stock in excess of the dividends declarable and payable thereon pursuant to clause (2) of this paragraph.

(8) any (x) payments made or expected to be made by the Issuer or any Restricted Subsidiary in respect of withholding or similar taxes payable upon exercise of Capital Stock by any future, present or former employee, director, officer, contractor or consultant (or their respective Related Persons) of the Issuer or any Restricted Subsidiary or any Parent Entity and (y) purchase, repurchase, redemption, defeasance or other acquisition or retirements of Capital Stock deemed to occur upon the exercise, conversion or exchange of stock options, warrants or similar instruments if such Capital Stock represents all or a portion of the exercise price thereof or payments, in lieu of the issuance of fractional Capital Stock or withholding to pay other taxes payable in connection therewith;

(9) dividends, loans, advances or distributions to any Parent Entity or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):

(a) the amounts required for any Parent Entity to pay any Parent Entity Expenses or any Related Taxes;

(b) amounts constituting or to be used for purposes of making payments to the extent specified in clauses (2), (3), (4)(b), (5), (9), (11), (12), (17), (18) and (25) of the second paragraph under "—*Limitation on Affiliate Transactions*"; and

(c) up to the greater of (x) €15.3 million and (y) 5.0% of LTM EBITDA per fiscal year (with unused amounts in any fiscal year being carried forward to the next succeeding fiscal year and amounts that will not be used in the subsequent fiscal year being carried back to the immediately preceding fiscal year);

(10) the declaration or payment of dividends or distributions, or the making of any cash payments, advances, loans or expense reimbursements on the Capital Stock, common stock or common equity interests of the Issuer, any Parent Entity or any IPO Entity following a Public Offering of such Capital Stock, common stock or common equity interests; *provided* that the aggregate amount of all such dividends or distributions shall not exceed in any fiscal year the greater of: (a) 6.0% of the Net Cash Proceeds received from such Public Offering or subsequent Equity Offering by the Issuer or contributed to the capital of the Issuer by any Parent Entity in any form other than Indebtedness, Excluded Contributions or Excluded Amounts; and (b) following an Initial Public Offering, an amount equal to (i) where, after giving *pro forma* effect to such dividends, distributions, cash payments, loans or expense reimbursements, the Consolidated Total Net Leverage Ratio of the Issuer and the Restricted Subsidiaries shall be equal to or less than 4.25 to 1.00, the greater of (x) 7.0% of the Market Capitalization and (y) 7.0% of the IPO Market Capitalization; or (ii) where, after giving *pro forma* effect to such dividends, distributions, cash payments, loans or expense reimbursements, the Consolidated Total Net Leverage Ratio of the Issuer and the Restricted Subsidiaries shall be greater than 4.25 to 1.00, but equal to or less than 4.75 to 1.00, the greater of (x) 5.0% of the Market Capitalization and (y) 5.0% of the IPO Market Capitalization;

(11) payments by the Issuer, or loans, advances, dividends or distributions to any Parent Entity to make payments, to holders of Capital Stock of the Issuer or any Parent Entity in lieu of the issuance of fractional shares of such Capital Stock, *provided* that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Issuer);

(12) Restricted Payments: (x) in an aggregate amount outstanding at any time not to exceed the aggregate amount of Excluded Contributions or Investments in exchange for; or (y) without duplication with sub-clause (x) hereof, in an amount not to exceed the fair market value of proceeds from a sale, conveyance, transfer or other disposition in respect of property or assets acquired after the Issue Date if the acquisition of such property or assets was wholly or partially financed with an Excluded Contribution (but if the acquisition of such property or assets was only partially financed with an Excluded Contribution, a Restricted Payment may only be made in the same proportion as such partial financing bore to the original purchase price of such property or assets which were partially financed with such Excluded Contribution);

(13) the declaration and payment of dividends: (i) on Designated Preferred Stock of the Issuer issued after the Issue Date; (ii) to a Parent Entity in an amount sufficient to allow the Parent Entity to pay dividends to holders of its Designated Preferred Stock issued after the Issue Date; and (iii) on Refunding Capital Stock that is Preferred Stock; *provided* that, (A) in the case of sub-clauses (i) and (ii) of this clause (13), the amount of all dividends declared or paid to a person pursuant to such sub-clauses shall not exceed the cash proceeds received by the Issuer or the aggregate amount contributed as Subordinated Shareholder Funding or in cash to the equity of the Issuer (other than through the issuance of Disqualified Stock, an Excluded Contribution of the Issuer, an Equity Contribution or Excluded Amounts), from the issuance or sale of such Designated Preferred Stock; and (B) in the case of sub-clause (iii) of this clause (13), for the Relevant Testing Period immediately preceding the date of issuance of such Designated Preferred Stock or declaration of such dividends on such Refunding Capital Stock, after giving effect to such payment on a *pro forma* basis the Issuer would be permitted to Incur at least €1.00 of additional Indebtedness pursuant to the test set forth in the first paragraph of the covenant described under "—*Limitation on Indebtedness*";

(14) distributions, by dividend or otherwise, or other transfer or disposition of shares of Capital Stock, of equity interests and participation interests in, or other securities of, or Indebtedness (including convertible debt) owed to the Issuer or any Restricted Subsidiary by, Unrestricted Subsidiaries (other than Unrestricted Subsidiaries, substantially all the assets of which are cash or Cash Equivalents) or proceeds thereof;

(15) distributions or payments of Securitization Fees, sales contributions and other transfers of Securitization Assets or Receivables Assets and purchases of Securitization Assets or Receivables Assets pursuant to a Securitization Repurchase Obligation, in each case in connection with a Qualified Securitization Financing or Receivables Facility;

(16) any Restricted Payment made in connection with the Transactions and any costs and expenses (including all legal, accounting and other professional fees and expenses) related thereto or used to fund amounts owed to Affiliates in connection with the Transactions (including dividends to any Parent Entity to permit payment by such Parent Entity of such amounts);

(17) so long as no Event of Default under clauses (1), (2) or (5) of the first paragraph of the covenant described under "—*Events of Default*" shall have occurred and is continuing, (i) Restricted Payments (including Restricted Investments, loans or advances) in an aggregate amount outstanding at the time made not to exceed the greater of (a) €122.5 million and (b) 40.0% of LTM EBITDA at such time, and (ii) any Restricted Payments, so long as, immediately after giving *pro forma* effect to the payment of any such Restricted Payment and the Incurrence of any Indebtedness the net proceeds of which are used to make such Restricted Payment, the Consolidated Total Net Leverage Ratio of the Issuer and the Restricted Subsidiaries shall be no greater than 3.75 to 1.00;

(18) mandatory redemptions of Disqualified Stock issued as a Restricted Payment or as consideration for a Permitted Investment;

(19) so long as no Event of Default under clauses (1), (2) or (5) of the first paragraph of the covenant described under "—*Events of Default*" shall have occurred and is continuing, the redemption, defeasance, repurchase, exchange or other acquisition or retirement of Subordinated Indebtedness of, or guaranteed by, the Issuer or any Guarantor (a) in an aggregate amount outstanding at the time made not to exceed the greater of (x) €122.5 million and (y) 40.0% of LTM EBITDA at such time, or (b) such that immediately after giving *pro forma* effect to the payment of any such Restricted Payment and the redemption, defeasance, repurchase, exchange or other acquisition or retirement of any such Subordinated Indebtedness, the Consolidated Total Net Leverage Ratio of the Issuer and the Restricted Subsidiaries shall be no greater than 4.00 to 1.00;

(20) payments or distributions to dissenting stockholders pursuant to applicable law (including in connection with, or as a result of, exercise of appraisal rights and the settlement of any claims or action (whether actual, contingent or potential)), pursuant to or in connection with a consolidation, merger or transfer of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries, taken as a whole, that complies with the provisions described under "—*Merger and Consolidation*";

(21) Restricted Payments to a Parent Entity to finance Investments that would otherwise be permitted to be made pursuant to this covenant if made by the Issuer; *provided* that (a) such Restricted

Payment shall be made substantially concurrently with the closing of such Investment, (b) such Parent Entity shall, promptly following the closing thereof, cause (i) all property acquired (whether assets or Capital Stock) to be contributed to the capital of the Issuer or one of the Restricted Subsidiaries or (ii) the merger or amalgamation of the person formed or acquired into the Issuer or one of the Restricted Subsidiaries (to the extent not prohibited by the provisions described under "*—Merger and Consolidation*") to consummate such Investment, (c) such Parent Entity and its Affiliates (other than the Issuer or a Restricted Subsidiary) receives no consideration or other payment in connection with such transaction except to the extent the Issuer or a Restricted Subsidiary could have given such consideration or made such payment in compliance with the Indenture, (d) any property received by the Issuer shall not increase amounts available for Restricted Payments pursuant to clause (c) of the first paragraph of this covenant, clauses (2) or (6) above or be deemed to be an Excluded Contribution, and (e) such Investment shall be deemed to be made by the Issuer or such Restricted Subsidiary pursuant to another provision of this covenant (other than pursuant to clause (12) above) or pursuant to the definition of "*Permitted Investments*" (other than pursuant to clause (1) thereof);

(22) any Restricted Payment made with Net Available Cash from any Asset Disposition and permitted pursuant to clause (3) of the first paragraph under "*—Limitation on Sales of Assets and Subsidiary Stock*";

(23) any dividends, repayments of equity, reductions of capital, loans or any other distribution (a "*tax distribution*") by the Issuer or any Restricted Subsidiary to any Parent Entity that is a member of the same fiscal unity for corporate income tax, trade tax, value added tax or other taxes or similar purposes, profit and loss pooling, cash pooling, tax sharing or other similar arrangements (including any payments under a fiscal unity or any other arrangement required to be made by any Parent Entity) to cover Taxes on a consolidated basis on behalf of the Group;

(24) withholding or similar taxes in respect thereof and payments in respect of withholding or similar taxes payable upon exercise or vesting thereof; and

(25) any Restricted Payment made in connection with any amendment and/or extension and/or offset and/or discharge (including by way of exchange, sale or substitution) or any other action in relation to any disclosed loans to shareholders existing on the date of the Offering Memorandum provided that no cash payment may be made by the Issuer or any Restricted Subsidiary as part of such Restricted Payment.

For purposes of determining compliance with this covenant, in the event that a Restricted Payment or Investment (or, in each case, portion thereof) (i) meets the criteria of more than one of the categories of Permitted Payments described in the third paragraph of this covenant, and/or (ii) is permitted pursuant to the first paragraph of this covenant and/or (iii) constitutes a Permitted Investment, the Issuer will be entitled to classify such Restricted Payment or Investment (or, in each case, portion thereof) on the date of its payment or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment or Investment (or portion thereof) in any manner that complies with this covenant, in each case as an Investment, pursuant to one or more of the clauses of the definition of "Permitted Investments" and may aggregate capacity in multiple clauses of the definition of "Permitted Payments" above, the first paragraph of this covenant and/or in the definition of "Permitted Investments" in any manner that complies with this covenant.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment, property or assets other than cash shall be determined conclusively by the Issuer acting in good faith.

Unrestricted Subsidiaries may use value transferred from the Issuer and the Restricted Subsidiaries in a Permitted Investment or a Restricted Investment not prohibited under this covenant to purchase or otherwise acquire Indebtedness or Capital Stock of the Issuer, any Parent Entity or any of the Issuer's Restricted Subsidiaries, and to transfer value to the holders of the Capital Stock or any Parent Entity and to Affiliates thereof, and such purchase, acquisition, or transfer will not be deemed to be a "*direct or indirect*" action by the Issuer or the Restricted Subsidiaries.

Limitation on Liens

Topco and the Issuer will not, and the Issuer will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Issuer), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "*Initial Lien*"), except (a) in the case of any property or asset that does not constitute the Charged Property or Escrowed Property, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if obligations under the Indenture are directly secured equally and rateably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, (b) in the case of any property or asset that constitutes Charged Property, Permitted Collateral Liens, and (c) in the case of any property or asset that constitutes Escrowed Property, (1) Liens that are described in one or more of the clauses (3), (4), (8), (45) and (47) of the definition of "Permitted Lien," and (2) Liens granted under the Escrow Charge and the Escrow Agreement.

Any Lien created in favor of the Notes, the Notes Guarantees and the Indenture pursuant to clause (a)(2) of the preceding paragraph will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under the Indenture, Intercreditor Agreement, any Additional Intercreditor Agreement and/or under the relevant Transaction Security Document.

With respect to any Lien securing Indebtedness that was permitted to secure such Indebtedness at the time of the Incurrence of such Indebtedness, such Lien shall also be permitted to secure any Increased Amount of such Indebtedness. The "*Increased Amount*" of any Indebtedness shall mean any increase in the amount of such Indebtedness in connection with any accrual of interest, the accretion of accreted value, the amortization of original issue discount, the payment of interest in the form of additional Indebtedness with the same terms, accretion of original issue discount or liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing Indebtedness.

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;

(2) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(3) sell, lease or transfer any of its property or assets to the Issuer or any Restricted Subsidiary,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Revolving Facility, Guarantee Facility and the Bridge Facility and the Guarantees thereof), (b) the Intercreditor Agreement or any Additional Intercreditor Agreement (c) the Transaction Security Documents; (d) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date, and (e) the Indenture or any other Notes Document;

(2) any encumbrance or restriction pursuant to applicable law, rule, regulation or order;

(3) any encumbrance or restriction pursuant to an agreement or instrument of a person or relating to any Capital Stock or Indebtedness of a person, entered into on or before the date on which such person was acquired by or merged, consolidated or otherwise combined with or into the Issuer or

any Restricted Subsidiary, or was designated as a Restricted Subsidiary or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary or entered into in contemplation of or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause, if another person is the Successor Issuer, any Subsidiary thereof or agreement or instrument of such person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such person becomes the Successor Issuer;

(4) any encumbrance, restriction or condition:

(a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract or agreement, or the assignment or transfer of any lease, license or other contract or agreement;

(b) contained in mortgages, pledges, charges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer or encumbrance of the property or assets subject to such mortgages, pledges, charges or other security agreements;

(c) contained in any trading, netting, operating, construction, service, supply, purchase, sale or other agreement to which the Issuer or any of the Restricted Subsidiaries is a party entered into in the ordinary course of business or consistent with past practice; *provided* that such agreement prohibits the encumbrance of solely the property or assets of the Issuer or such Restricted Subsidiary that are the subject to such agreement, the payment rights arising thereunder or the proceeds thereof and does not extend to any other asset or property of the Issuer or such Restricted Subsidiary or the assets or property of another Restricted Subsidiary; or

(d) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations not prohibited under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired;

(6) any encumbrance or restriction imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a person of all or substantially all the Capital Stock or assets of the Issuer or any Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, shareholder agreements, joint venture agreements and other similar agreements, organizational documents and instruments;

(8) encumbrances or restrictions arising or existing by reason of, or pursuant to, applicable law or any applicable rule, regulation, licensing requirement or order, or required by any regulatory authority or any governmental license, concessions, franchises or permits, including restrictions on encumbrances on cash or deposits (including assets in escrow accounts) paid on property;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers or suppliers, or as required by insurance, surety or bonding companies or indemnities, in each case, under agreements entered into in the ordinary course of business or consistent with past practice;

(10) any encumbrance or restriction pursuant to Hedging Obligations;

(11) restrictions created in connection with any Qualified Securitization Financing or Receivables Facility that, in the good faith determination of the Issuer, are necessary or advisable to effect such Securitization Facility or Receivables Facility;

(12) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "—*Limitation on Indebtedness*" if the encumbrances and restrictions

contained in any such agreement or instrument taken as a whole are not materially less favorable to the holders of the Notes (taken as a whole) than (i) the encumbrances and restrictions contained in (A) the Revolving Facility Agreement, the Guarantee Facility Agreement, the Bridge Facility or the Indenture, together with the Transaction Security Documents associated therewith, and (B) the Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Issuer), or (b) constituting an Additional Intercreditor Agreement;

(13) any encumbrance or restriction existing by reason of any lien permitted pursuant to the covenant described under "—*Limitation on Liens*"; or

(14) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clauses (1) to (13) of this paragraph or this clause (14) (an "*Initial Agreement*") or contained in any amendment, supplement or other modification to an agreement referred to in clauses (1) to (13) of this paragraph or this clause (14); *provided* that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the holders of the Notes (taken as a whole) than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Issuer).

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not, and will not permit any of the Restricted Subsidiaries to, make any Asset Disposition unless:

(1) the Issuer or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Issuer, of the shares and assets subject to such Asset Disposition (including, for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap);

(2) in any such Asset Disposition, or series of related Asset Dispositions (except to the extent the Asset Disposition is a Permitted Asset Swap or relates to Non-Core Assets), with a purchase price in excess of the greater of (a) €45.9 million and (b) 15.0% of LTM EBITDA, at least 75% of the consideration from such Asset Disposition (including by way of relief from, or by any other person assuming responsibility for, any liabilities, contingent or otherwise) received by the Issuer or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments, *provided* that this clause (2) shall not apply to the first amount of consideration from such Asset Dispositions per fiscal year not to exceed the greater of (x) €52.1 million and (y) 17.0% of LTM EBITDA (with unused amounts in any fiscal year being carried forward to the next succeeding fiscal year and amounts that will not be used in the subsequent fiscal year being carried back to the immediately preceding fiscal year); and

(3) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied:

    (a) to the extent the Issuer or any Restricted Subsidiary, as the case may be, elects (or is required by the terms of any Indebtedness) to prepay, repay or purchase any Indebtedness of a Restricted Subsidiary that is not a Guarantor (in each case, other than Indebtedness owed to the Issuer or any Restricted Subsidiary) or any Senior Secured Indebtedness or any Indebtedness secured by a Lien on property or assets of the Issuer or any Restricted Subsidiary (other than Permitted Collateral Liens) within 365 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided* that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a), the Issuer or such Restricted Subsidiary will retire such Indebtedness and (other than the case of repayment of Indebtedness under any revolving facility) will cause the related commitment (if any) to be reduced in an amount equal to the principal amount so prepaid, repaid or purchased; *provided further* that to the extent the Issuer or any Restricted Subsidiary has elected to prepay, repay or purchase any amount of Senior Secured Indebtedness at a price not less than par and has extended such offer to the Holders on at least a *pro rata* basis, to the extent the creditors in respect of such Senior Secured

Indebtedness (including any Holders) elect not to tender their Senior Secured Indebtedness for such prepayment, repayment or purchase, the Issuer will be deemed to have applied an amount of Net Available Cash equal to such amount not tendered under this clause (a), and such amount shall not increase the amount of Excess Proceeds; or

(b) to the extent the Issuer or any Restricted Subsidiary elects, to invest in or commit to invest in Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary equal to the amount of Net Available Cash received by the Issuer or another Restricted Subsidiary) within 365 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided* that a binding agreement shall be treated as a permitted application of Net Available Cash from the date of such commitment with the good faith expectation that an amount equal to Net Available Cash will be applied to satisfy such commitment within 180 days of such commitment (an "*Acceptable Commitment*"); *provided further* that if any Acceptable Commitment is later cancelled or terminated for any reason before such amount is applied, then such Net Available Cash shall constitute Excess Proceeds,

provided that, (I) pending the final application of the amount of any such Net Available Cash in accordance with clause (a) or (b) above, the Issuer and the Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise use such Net Available Cash in any manner not prohibited by the Indenture, (II) the Issuer or any Restricted Subsidiary may elect to invest in Additional Assets prior to receiving the Net Available Cash attributable to any given Asset Disposition (*provided that* such investment shall be made no earlier than the earliest of execution of a definitive agreement for the relevant Asset Disposition or consummation of the relevant Asset Disposition) and deem the amount so invested to be applied pursuant to and in accordance with clause (b) above with respect to such Asset Disposition, and (III) notwithstanding any term of this clause (3), to the extent that (x) a distribution of any or all of the Net Available Cash of any Asset Disposition by a Subsidiary to the Issuer or another Restricted Subsidiary (to the extent necessary to comply with the provisions of this covenant) is prohibited or delayed by applicable local law (including financial assistance and corporate benefit restrictions, fiduciary and statutory duties of the relevant directors and AIFMD) or (y) a distribution of any or all of the Net Available Cash of any Asset Disposition by a Subsidiary to the Issuer or another Restricted Subsidiary (to the extent necessary to comply with this covenant) could result in material adverse Tax consequences, as determined by the Issuer in its sole discretion, the portion of such Net Available Cash so affected will not be required to be applied in compliance with this covenant.

The amount of any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied or invested as provided in the first paragraph of this covenant will be deemed to constitute "*Excess Proceeds*" under the Indenture, *provided* that, if at the date of any definitive agreement, put option or similar arrangement in respect of any Asset Disposition or (at the option of the Issuer) the date on which Net Available Cash from an Asset Disposition is received, the Consolidated Total Net Leverage Ratio of the Issuer and the Restricted Subsidiaries is (a) greater than 4.00 to 1.00, (b) less than or equal to 4.00 to 1.00 but greater than 3.50 to 1.00 or (c) less than or equal to 3.50 to 1.00, 100% of the Net Available Cash from such Asset Disposition in the case of clause (a), 50% of the Net Available Cash from such Asset Disposition in the case of clause (b), and 0% of the Net Available Cash from such Asset Disposition in the case of clause (c), shall be deemed to constitute Excess Proceeds. Any amounts not constituting Excess Proceeds may be used by the Issuer or any of the Restricted Subsidiaries for any purpose not prohibited by the Indenture.

On the 366th day (or such longer period permitted by the first paragraph of this covenant) after the later of an Asset Disposition or the receipt of such Net Available Cash (or (1) such earlier date as the Issuer or any Restricted Subsidiaries may elect or (2) such later date as set forth in clause (3)(b) of the first paragraph of this covenant), if the aggregate amount of Excess Proceeds under the Indenture exceeds the greater of €61.3 million and 20.0% of LTM EBITDA in a single transaction, the Issuer will within ten (10) Business Days be required to make an offer ("*Asset Disposition Offer*") to all Holders of Notes issued under the Indenture and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to repay, prepay or purchase the maximum aggregate principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be repaid, prepaid or purchased out of the Excess Proceeds, at an offer price of no more than 100% of the principal amount of the Notes or such *Pari* Passu Indebtedness, in each case, *plus* accrued and unpaid interest, if any, to, but not including, the date of repayment, prepayment or purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, and with respect to the Notes, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver notice of such Asset Disposition Offer electronically or by first-class mail, with a copy to the Trustee, the Paying Agent and each Holder at the address of such Holder appearing in the security register or otherwise in accordance with the applicable procedures of Euroclear and Clearstream, describing the transaction or transactions that constitute the Asset Disposition and offering to repurchase the Notes for the specified purchase price on the date specified in the notice, which date will be no earlier than ten (10) days and no later than 60 days from the date such notice is delivered, pursuant to the procedures required by the Indenture and described in such notice.

The Issuer may satisfy the foregoing obligations with respect to any Net Available Cash from an Asset Disposition by making an Asset Disposition Offer with respect to all Net Available Cash prior to the expiration of the relevant 365 days (or such longer period provided above) or with respect to any unapplied Excess Proceeds.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer and the Restricted Subsidiaries may use any remaining Excess Proceeds for any purpose not prohibited by the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Issuer shall allocate the Excess Proceeds among the Notes and Pari Passu Indebtedness to be repaid, prepaid or purchased on a pro rata basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness; *provided* that the Issuer shall not be required to select and purchase Notes or other Pari Passu Indebtedness in an unauthorized denomination. Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero. Additionally, the Issuer may, at its option, make an Asset Disposition Offer using proceeds from any Asset Disposition at any time after the consummation of such Asset Disposition. Upon consummation or expiration of any Asset Disposition Offer, any remaining Net Available Cash shall not be deemed Excess Proceeds and the Issuer or any Restricted Subsidiary may use such Net Available Cash for any purpose not prohibited by the Indenture.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than Euros, the amount thereof payable in respect of the Notes shall not exceed the net amount of funds in Euros that is actually received by the Issuer upon converting such portion into Euros. For the avoidance of doubt there shall be no requirement to offer or apply any Excess Proceeds in prepayment of the Revolving Facility, the Guarantee Facility or the Bridge Facility.

For the purposes of clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

(1) the assumption by the transferee of Indebtedness or other liabilities, contingent or otherwise, of the Issuer or a Restricted Subsidiary (other than Subordinated Indebtedness of the Issuer or a Guarantor) and the release of the Issuer or such Restricted Subsidiary from all liability on such Indebtedness or other liability in connection with such Asset Disposition;

(2) securities, notes or other obligations received by the Issuer or any Restricted Subsidiary from the transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition;

(3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Issuer and each other Restricted Subsidiary are released from any Guarantee of payment of such Indebtedness in connection with such Asset Disposition;

(4) consideration consisting of Indebtedness of the Issuer (other than Subordinated Indebtedness) received after the Issue Date from persons who are not the Issuer or any Restricted Subsidiary;

(5) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary in such Asset Dispositions having an aggregate fair market value, taken together with all other

Designated Non-Cash Consideration received pursuant to this covenant during the same fiscal year, not to exceed the greater of (a) €61.3 million and (b) 20.0% of LTM EBITDA (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value) (with unused amounts in any fiscal year being carried forward to the next succeeding fiscal year and amounts that will not be used in the subsequent fiscal year being carried back to the immediately preceding fiscal year);

(6) consideration consisting of Additional Assets; and

(7) any combination of the consideration specified in paragraphs (1) to (6) above.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

The Issuer or a Restricted Subsidiary, as the case may be, may make an Asset Disposition Offer prior to the expiration of the 365 day period mentioned in this covenant. An Asset Disposition Offer may be made at the same time as consents are solicited with respect to an amendment, supplement or waiver of the Indenture, the Notes and/or the Notes Guarantees.

The provisions under the Indenture relative to the Issuer's obligation to make an Asset Disposition Offer as the result of an Asset Disposition may be waived or modified with the written consent of the Holders of a majority in principal amount of the then outstanding Notes.

Limitation on Affiliate Transactions

The Issuer will not, and will not permit any Restricted Subsidiary to enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (any such transaction or series of related transactions being an "*Affiliate Transaction*") involving aggregate value in excess of the greater of (i) €30.6 million and (ii) 10.0% of LTM EBITDA unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a person who is not such an Affiliate; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of the greater of (a) €61.3 million and (b) 20.0% of LTM EBITDA, the terms of such Affiliate Transaction have been approved by a majority of the members of the Board of Directors of the Issuer, *provided* that any Affiliate Transaction shall also be deemed to have satisfied the requirements set forth in this clause (2) if such Affiliate Transaction is approved by a majority of the Disinterested Directors of the Issuer, if any.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "—*Limitation on Restricted Payments*," or any Permitted Investment;

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent Entity, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans, transaction bonuses or transaction related securities repurchase plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business or consistent with past practice;

(3) any Management Advances and any waiver or transaction with respect thereto;

(4) any (a) transaction between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries and (b) merger, amalgamation or consolidation with any Parent Entity; *provided* that such Parent Entity shall have no material liabilities and no material assets other than cash, Cash Equivalents and the Capital Stock of the Issuer and such merger, amalgamation or consolidation is otherwise permitted under the Indenture;

(5) the payment of compensation, fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, contractors, consultants, distributors or employees of the Issuer, any Parent Entity or any Restricted Subsidiary (whether directly or indirectly and including through any Controlled Investment Affiliate of such directors, officers, contractors, consultants, distributors or employees);

(6) the entry into and performance of obligations of the Issuer or any of the Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the holders of the Notes (taken as a whole) in any material respect;

(7) any transaction in connection with a Qualified Securitization Financing or Receivables Facility, any disposition or repurchase of Securitization Assets, Receivables Assets or related assets in connection with any Qualified Securitization Financing or Receivables Facility;

(8) transactions with customers, clients, joint venture partners, suppliers, contractors, distributors or purchasers or sellers of goods or services, in each case in the ordinary course of business or consistent with past practice, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors of the Issuer or the senior management of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or an Associate or similar entity which would constitute an Affiliate Transaction solely (i) because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in, or otherwise controls such Affiliate, Associate or similar entity or (ii) due to the fact that a director of such person is also a director of the Issuer or any direct or indirect Parent Entity of the Issuer (*provided* that such director abstains from voting as a director of the Issuer or such direct or indirect Parent Entity of the Issuer, as the case may be, on any matter involving such other person);

(10) any (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preferred Stock) of the Issuer or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding and the granting of registration and other customary rights (and the performance of the related obligations) in connection therewith or any contribution to capital of the Issuer or any Restricted Subsidiary; and (b) amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable; *provided* that such Subordinated Shareholder Funding, as amended or otherwise modified, will continue to satisfy the requirements described in the definition of "Subordinated Shareholder Funding";

(11) (a) any payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly), including to its affiliates or its designees, of (I) annual management, consulting, monitoring, refinancing, transaction, subsequent transaction exit fees, advisory fees and (II) related costs and expenses and indemnities in connection therewith and any termination fees (including any such cash lump sum or present value fee upon the consummation of a corporate event, including an Initial Public Offering), *provided* that any payments under this sub-clause (a)(I) shall not exceed an aggregate amount equal to the greater of (x) €15.3 million and (y) 5.0% of LTM EBITDA per fiscal year (with unused amounts in any fiscal year being carried forward to the next succeeding fiscal year and amounts that will not be used in the subsequent

fiscal year being carried back to the date immediately preceding fiscal year); and (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent Entity) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with loans, capital markets transactions, acquisitions or divestitures, which payments or agreement or arrangements providing for such payments are approved by a majority of the Board of Directors of the Issuer in good faith;

(12) payment to any Permitted Holder of all out-of-pocket expenses Incurred by such Permitted Holder in connection with its direct or indirect investment in the Issuer and its Subsidiaries;

(13) the Transactions and the payment of all costs and expenses (including all legal, accounting and other professional fees and expenses) related to the Transactions;

(14) transactions in which the Issuer or any Restricted Subsidiary, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating either (x) that such transaction is fair to the Issuer or such Restricted Subsidiary from a financial point of view or (y) that such transaction meets the requirements of clause (1) of the preceding paragraph;

(15) the existence of, or the performance by the Issuer or any Restricted Subsidiary of its obligations under the terms of, any equityholders agreement (including any registration rights agreement or purchase agreements related thereto) to which it is party as of the Issue Date, and any similar agreement that it may enter into thereafter; *provided* that the existence of, or the performance by the Issuer or any Restricted Subsidiary of its obligations under any future amendment to the equityholders' agreement or under any similar agreement entered into after the Issue Date will only be permitted under this clause to the extent that the terms of any such amendment or new agreement are not otherwise disadvantageous to the holders of the Notes (taken as a whole) in any material respect as determined in good faith by the Issuer;

(16) any purchases by the Issuer's Affiliates of Indebtedness or Disqualified Stock of the Issuer or any of the Restricted Subsidiaries the majority of which Indebtedness or Disqualified Stock is purchased by persons who are not the Issuer's Affiliates; *provided* that such purchases by the Issuer's Affiliates are on the same terms as such purchases by such persons who are not the Issuer's Affiliates;

(17) any (a) Investments by Affiliates in securities of the Issuer or any of the Restricted Subsidiaries (and payment of reasonable out-of-pocket expenses Incurred by such Affiliates in connection therewith) so long as the Investment is being offered by the Issuer or such Restricted Subsidiary generally to other non-affiliated third-party investors on the same or more favorable terms; and (b) payments to Affiliates in respect of securities of the Issuer or any of the Restricted Subsidiaries contemplated in sub-clause (a) or that were acquired from persons other than the Issuer and the Restricted Subsidiaries, in each case, in accordance with the terms of such securities;

(18) the execution, delivery and performance of payments by any Parent Entity, the Issuer and/or the Restricted Subsidiaries pursuant to any Tax Sharing Agreements or any arrangement pursuant to which the Issuer or any of the Restricted Subsidiaries is required or permitted to file a consolidated tax return, or the formation and maintenance of any consolidated group for tax, accounting or cash-pooling or management purposes in the ordinary course of business or other equity agreements in respect of Related Taxes among any such Parent Entity, the Issuer and/or the Restricted Subsidiaries on customary terms to the extent attributable to the ownership or operation of the Issuer and its Subsidiaries;

(19) payments, Indebtedness and Disqualified Stock (and cancellation of any thereof) of the Issuer and the Restricted Subsidiaries and Preferred Stock (and cancellation of any thereof) of any Restricted Subsidiary to any future, current or former employee, director, officer, contractor or consultant (or their respective Controlled Investment Affiliates or Immediate Family Members) of the Issuer, any of its Subsidiaries or any of its Parent Entities pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement or any stock subscription or shareholder agreement; and any employment agreements, stock option plans and other compensatory arrangements (and any successor plans thereto) and any supplemental executive retirement benefit plans or arrangements with any such employees, directors, officers, contractors or consultants (or their respective Controlled Investment Affiliates or Immediate Family Members) that are, in each case, approved by the Issuer in good faith;

(20) employment and severance arrangements between the Issuer or any of the Restricted Subsidiaries and their respective officers, directors, contractors, consultants, distributors and employees in the ordinary course of business or entered into in connection with or as a result of the Transactions;

(21) any transition services arrangement, supply arrangement or similar arrangement entered into in connection with or in contemplation of the disposition of assets or Capital Stock in any Restricted Subsidiary permitted pursuant to the covenant described under "—*Limitation on Sales of Assets and Subsidiary Stock*" or entered into with any Business Successor, in each case, that the Issuer determines in good faith is either fair to the Issuer or otherwise on customary terms for such type of arrangements in connection with similar transactions;

(22) transactions entered into by an Unrestricted Subsidiary with an Affiliate prior to the day such Unrestricted Subsidiary is re-designated as a Restricted Subsidiary as described pursuant to the provisions described under "—*Designation of Restricted and Unrestricted Subsidiaries*" so long as such transactions were not made in contemplation of or in connection with such redesignation;

(23) pledges of Capital Stock of Unrestricted Subsidiaries;

(24) any lease entered into between the Issuer or any Restricted Subsidiary, as lessee, and any Affiliate of the Issuer that is not a Restricted Subsidiary, as lessor, which is approved by a majority of the members of the Board of Directors of the Issuer;

(25) intellectual property licenses in the ordinary course of business or consistent with past practice;

(26) payments to or from, and transactions with, any joint venture including the entry into, and performance of obligations and related services under, any management services agreement or any licensing agreement with regards to any existing or future joint venture, in the ordinary course of business or consistent with past practice (including any cash management activities related thereto);

(27) any participation in a public tender or exchange offer for securities or debt instruments issued by the Issuer or any of the Restricted Subsidiaries that provides for the same price or exchange ratio, as the case may be, to all holders accepting such tender or exchange offer;

(28) the entry into, and performance of obligations and related services under, any registration rights or other listing agreement;

(29) the payment of costs and expenses related to registration rights and customary indemnities provided to shareholders under any shareholder agreement; and

(30) any Permitted Tax Restructuring.

Designation of Restricted and Unrestricted Subsidiaries

The Issuer may designate (i) any Restricted Subsidiary to be an Unrestricted Subsidiary and (ii) any Unrestricted Subsidiary to be a Restricted Subsidiary, in each case, if that designation would not cause an Event of Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, (a) the aggregate fair market value of all outstanding Investments owned by the Issuer and the Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments pursuant to the covenant described under "—*Limitation on Restricted Payments*" or under one or more clauses of the definition of Permitted Payments or Permitted Investments, as determined by the Issuer; and (b) that designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.

If, at any time, any Unrestricted Subsidiary would fail to meet the requirements set out in the first paragraph of this covenant as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary will be deemed to be Incurred by a Restricted Subsidiary as of such date and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under "—*Limitation on Indebtedness*," the Issuer will be in default of such covenant.

If an Unrestricted Subsidiary is designated as a Restricted Subsidiary, that designation (x) will be deemed to be an Incurrence of Indebtedness by a Restricted Subsidiary of any outstanding

Indebtedness of such Unrestricted Subsidiary, and (y) such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under "—*Limitation on Indebtedness*" (including pursuant to clause (5) of the second paragraph thereof, treating such designation as an acquisition for the purpose of such clause), calculated on a *pro forma* basis as if such designation had occurred at the beginning of the Relevant Testing Period; and (2) no Event of Default would be in existence immediately following such designation.

Any such designation by the Issuer of an Unrestricted Subsidiary or the re-designation of an Unrestricted Subsidiary to a Restricted Subsidiary as contemplated hereby shall be evidenced to the Trustee on the date of such designation or re-designation by providing the Trustee an Officer's Certificate certifying that such designation or re-designation complies with the preceding conditions.

Reports

So long as any Notes are outstanding, the Issuer will furnish to the Trustee the following reports following the Issue Date:

(1) within 150 days following the end of the fiscal year beginning with the first fiscal year of the Issuer ending after the Issue Date, and within 120 days after the end of each fiscal year of the Issuer thereafter, annual reports containing, to the extent applicable, the following information: (a) audited consolidated balance sheets of the Issuer as of the end of the most recent two fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the most recent two fiscal years, including customary footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) unaudited *pro forma* income statement information and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year; (unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below); *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense or burden; and provided further that no *pro forma* information in respect of the Acquisition shall be required; (c) an operating and financial review of the audited consolidated financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Issuer, and a discussion of material commitments and contingencies and critical accounting policies; (d) description of the business, management and shareholders of the Issuer, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; and (e) a description of material risk factors and material recent developments;

(2) within 60 days (or, in the case of the fiscal quarter ending March 31, 2021, 90 days) following the end of the first three fiscal quarters of the Issuer, beginning with the first such fiscal quarter ending March 31, 2021, all quarterly reports of the Issuer containing the following information: (a) an unaudited condensed consolidated balance sheet of the Issuer as of the end of such quarter and unaudited condensed consolidated statements of income and cash flow of the Issuer for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year period of the Issuer, together with condensed footnote disclosure; (b) unaudited *pro forma* income statement information and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the relevant quarter (unless such *pro forma* information has been provided in a previous report pursuant to clause (1) above or (3) below); *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense or burden; and *provided further* that no *pro forma* information in respect of the Acquisition shall be required; (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, and material changes in liquidity and capital resources of the Issuer, and a discussion of material changes not in the ordinary course of business in commitments and contingencies since the most recent report; and (d) material recent developments; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring or any senior executive officer changes at the Issuer or change in auditors of the Issuer or any other material event that the Issuer announces publicly, a report containing a description of such event.

All financial statement and *pro forma* financial information shall be prepared on a basis consistent with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented; *provided*, *however*, that the reports set forth in clauses (1), (2) and (3) may, in the event of a change in applicable IFRS, present earlier periods on a basis that applied to such periods. Except as provided for above, no report need include separate financial statements for any Subsidiaries of the Issuer. The filing of an Annual Report on Form 20-F within the time period specified in clause (1) will satisfy such provision. At the Issuer's election it may include consolidated financial statements of a Parent Entity or the Target in lieu of those for the Issuer; *provided* that, if the financial statements of a Parent Entity or the Target are included in such report, a reasonably detailed description of material differences between the financial statements of the Parent Entity or the Target, as applicable, and the Issuer shall be included for any period after the Issue Date. Following an Initial Public Offering of the Capital Stock of the Issuer or any parent thereof and/or the listing of such Capital Stock on a recognized stock exchange, the requirements of this clause shall be considered to have been fulfilled if the IPO Entity complies with the reporting requirements of such stock exchange.

At any time that any of the Issuer's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken as together as one Subsidiary, constitutes a Significant Subsidiary of the Issuer, then the annual and quarterly financial information required by the first paragraph of this covenant will either (i) a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer or (ii) stand-alone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries (as a group or otherwise) together with an unaudited reconciliation to the financial information of the Issuer and its Subsidiaries.

Substantially concurrently with the issuance to the Trustee of the reports or statement specified in clauses (1), (2) and (3) of the first paragraph and the third paragraph above, the Issuer shall also (a) use its commercially reasonable efforts (i) to post copies of such reports or statement on such website as may be then maintained by the Issuer or its Subsidiaries or (ii) otherwise to provide substantially comparable availability of such reports (as determined in good faith by the Board of Directors of the Issuer or an Officer of the Issuer) or (b) to the extent the Board of Directors of the Issuer or an Officer of the Issuer determines in good faith that the Issuer cannot make such reports or statement available in the manner described in the preceding clause (a) owing to applicable law or after the use of the Issuer's commercially reasonable efforts, furnish such reports or statement to the Holders and, upon request, prospective purchasers of the Notes. The Issuer will also make available copies of all reports required by clauses (1), (2) and (3) above, if and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and if and to the extent that the rules of the Luxembourg Stock Exchange so require.

In addition, so long as the Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Issuer shall furnish to the Holders and, upon their request, prospective purchasers of the Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Delivery of any information, documents and reports to the Trustee pursuant to this section is for information purposes and the Trustee's receipt shall not constitute constructive notice of any information contained therein, including the Issuer's compliance with any of its covenants under the Indenture. The Trustee does not have any duty to review any such financial statements and/or reports provided to it pursuant to this covenant, is not considered to have notice of the content of such statements, a default or Event of Default based on such content and does not have a duty to verify the accuracy of such financial statements and/or reports.

All reports provided pursuant to this covenant shall be made in the English language.

Completion of the Target Merger, Delisting Merger or Debt Push Merger

The Issuer shall use commercially reasonable efforts to procure the completion of:

(1) either:

   a. the Target Merger, on terms complying with Article 2501-*bis* (*et seq.*) of the Italian Civil Code, as soon as reasonably practicable following the acquisition of 100% of the shares in the Target pursuant to the MTO (including the Sell-Out or Squeeze-Out Acquisition); or

   b. the Delisting Merger, on terms complying with Article 2501 (*et seq.*) of the Italian Civil Code, as soon as reasonably practicable following the MTO and provided it is legally entitled to do so; and

(2) the Debt Push Merger, on terms complying with Article 2501-*bis* (*et seq.*) of the Italian Civil Code, as soon as reasonably practicable following the completion of the Delisting Merger and in the event BidCo owns 100% of the shares of the Target.

Following the completion of the earlier of the Target Merger and the Delisting Merger, the Issuer shall use reasonable endeavors to refinance the Target Existing Debt Facilities and any other financial indebtedness of the Target Group in full.

Furthermore, the Issuer shall use reasonable endeavors to delist the Target as soon as reasonably practicable upon becoming legally entitled to do so.

The Indenture will provide that each Holder, by accepting a Note, will be deemed to agree, for the purposes of Article 2503-bis (*et seq.*) of the Italian Civil Code, to the consummation of each of the Target Merger, Delisting Merger and Debt Push Merger and the assumption (i) with respect to the Target Merger, by Target MergerCo, (ii) with respect to the Delisting Merger, by Delisting MergerCo, and (iii) with respect to the Debt Push Merger, by Debt Push MergerCo, in each case, of all relevant obligations (if any) of BidCo, the Issuer, and/or the Target, as applicable, in respect of the Notes, Note Guarantees, the Indenture, the Intercreditor Agreement, any relevant Transaction Security Document and any other Notes Document (as applicable), in accordance with the terms of the Indenture, upon completion of the Target Merger, Delisting Merger and Debt Push Merger, as applicable.

To the extent requested and directed by the Issuer, upon delivery to the Trustee of an Officer's Certificate specifying the occurrence of any of the events set forth above, the Trustee and Security Agent and the other parties to the Indenture shall enter into any document reasonably requested by the Issuer to document the occurrence of such event.

Impairment of Security Interest

Topco and the Issuer shall not, and the Issuer shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Charged Property (it being understood, subject to the proviso below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interest with respect to the Charged Property) or the security interest with respect to the Escrowed Property for the benefit of the Trustee and the Holders, and Topco and the Issuer shall not, and the Issuer shall not permit any Restricted Subsidiary to grant to any person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Transaction Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement (or with respect to the Escrowed Property, to the Trustee for the benefit of the Holders), any interest whatsoever in any of the Charged Property (or the Escrowed Property, as applicable), except that (i) the Issuer and the Restricted Subsidiaries and any parent of the Issuer party to any Transaction Security Documents may amend, extend, renew, restate, supplement, release or otherwise modify or replace any Transaction Security Documents for the purposes of Incurring Permitted Collateral Liens, (ii) the Issuer, the Restricted Subsidiaries and any parent of the Issuer party to any Transaction Security Documents may amend, extend, renew, restate, supplement, release or otherwise modify or replace any Transaction Security Documents for the purposes of undertaking a Permitted Reorganization, (iii) (A) the Charged Property may be discharged and released in accordance with the Indenture, the applicable Transaction Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement and (B) the Escrowed Property may be discharged and released in accordance with the Indenture, the Escrow Charge or the Escrow Agreement, (iv) the applicable Transaction Security Documents may be amended from time to time to (A) cure any ambiguity, mistake, omission, defect, error or inconsistency therein or add to the Charged Property, (B) evidence the succession of another person to the Issuer, any Restricted Subsidiary or any parent of the Issuer party to any Transaction Security Documents providing Charged Property and the assumption of such successor of the obligations under the Indenture, the Intercreditor Agreement and/or the Transaction Security Documents, in each case, including in accordance with the terms under the covenant described under "*—Merger and Consolidation*" (including the Target Merger, Delisting Merger or Debt Push Merger) and (C) to evidence and provide for the acceptance of the appointment of a successor Trustee or Security Agent, and (v) the Issuer and the Restricted Subsidiaries may amend, extend, renew, restate, supplement, release or otherwise modify or replace the Security Interests (A) in any manner that does not adversely affect Holders in any material respect as determined in good faith by the Issuer or (B) otherwise if there is a retaking of a Lien of at least equivalent value over the same assets.

The Transaction Security Documents may not be amended, extended, renewed, restated, supplemented, released or otherwise modified or replaced pursuant to clause (i) or (ii) of the first paragraph above, unless contemporaneously with any such action, the Issuer delivers to the Trustee and the Security Agent, either (1) a solvency opinion, in a form and substance reasonably satisfactory to the Trustee and the Security Agent from an Independent Financial Advisor confirming the solvency of the Issuer and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate from the Board of Directors, Chief Financial Officer or Chief Executive Officer of the relevant person (or equivalent member of senior management), in form and substance reasonably satisfactory to the Trustee and the Security Agent, which confirms the solvency of the person granting such Security Interest, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Transaction Security Documents, so amended, extended, renewed, restated, supplemented, released, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement. In the event that the Issuer, any Restricted Subsidiary or any parent of the Issuer party to any Transaction Security Documents (as applicable) complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to any amendment, extension, renewal, restatement, supplement, release or other modification or replacement requested in accordance with this covenant without the need for instructions from any Holder.

Nothing in this section shall prohibit or restrict the Transactions, any transaction in connection with the Target Merger, Delisting Merger or Debt Push Merger or a transaction as described under "*—IPO Debt Pushdown*," each of which are expressly permitted.

Additional Guarantees

Subject to the Agreed Security Principles, no Restricted Subsidiary shall Guarantee the Indebtedness outstanding under the Revolving Facility, any Credit Facility in an aggregate principal amount in excess of €30.0 million or any Public Debt, in each case of the Issuer or a Guarantor unless (i) such Restricted Subsidiary is or becomes a Guarantor within twenty (20) Business Days from (but excluding) the date on which the Guarantee of such other Indebtedness is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture substantially in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Notes Guarantee, which Notes Guarantee will be senior to or *pari passu* with, as applicable, such Restricted Subsidiary's Guarantee of such other Indebtedness; *provided*, *however*, that no Restricted Subsidiary shall be obligated to become a Guarantor to the extent and for so long as the Incurrence of such Notes Guarantee is contrary to the Agreed Security Principles or could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules, retention of title claims or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses. At the option of the Issuer, any Notes Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law (including any usury laws).

Future Notes Guarantees granted pursuant to this provision shall be released as set forth under "*Notes Guarantees—Notes Guarantees Release*." A Notes Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, reasonably requested by, and at the cost of, the Issuer to effectuate any release of a Notes Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

The validity and enforceability of the Notes Guarantees and the Security Interests and the liability of each Guarantor will be subject to the limitations as described and set out in "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—Fraudulent conveyance and similar laws may adversely affect the validity and enforceability of the Notes, the Guarantees and the Notes Collateral*," "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The Guarantees of IMA Bidco and any further Italian Guarantor are limited by the Indenture and each of the Guarantees is furthermore significantly limited by applicable laws and subject to certain limitations and defenses*" and "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Law Considerations*."

Additional Intercreditor Agreements

The Indenture will provide that at the request of the Issuer, in connection with the Incurrence by the Issuer or any of the Restricted Subsidiaries of (x) any Indebtedness secured on Charged Property or as otherwise required herein and (y) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (x), the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized representatives) an intercreditor agreement (an "*Additional Intercreditor Agreement*") or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the holders of the Notes (taken as a whole)), including substantially the same terms with respect to release of Notes Guarantees and priority and release of the Security Interests; *provided* that (1) such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the reasonable opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities, indemnities or immunities of the Trustee or Security Agent under the Indenture, any Additional Intercreditor Agreement or the Intercreditor Agreement and (2) if more than one such intercreditor agreement is outstanding at any time, the correlative terms of such intercreditor agreements must not conflict.

The Indenture will also provide that at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to the Intercreditor Agreement or any Additional Intercreditor Agreement to: (1) cure any ambiguity, omission, defect, manifest error or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes or the Notes Guarantees), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement or provide for the assumption by a successor person of the obligations of the Issuer or any Restricted Subsidiary in connection with the

Target Merger, Delisting Merger or Debt Push Merger, (4) further secure the Notes, (5) make provision for equal and rateable pledges of the Charged Property to secure Additional Notes, (6) facilitate a Permitted Reorganization, (7) implement any Permitted Collateral Liens, (8) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (9) make any other change to any such agreement that does not adversely affect the holders of the Notes (taken as a whole) in any material respect, making all necessary provisions to ensure that the Notes and the Notes Guarantees are secured by first-ranking Liens over the Charged Property. In formulating its opinion on such matters, the Trustee and the Security Agent, if applicable, shall be entitled to request and rely conclusively on an Officer's Certificate and an Opinion of Counsel.

The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement or Additional Intercreditor Agreement other than (i) in accordance with the second paragraph above or (ii) with the consent of the Holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "—*Amendments and Waivers*," and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the reasonable opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities, indemnities or immunities under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture will also provide that in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes or the Notes Guarantees thereby; *provided* that such transaction would comply with the covenant described under "—*Limitation on Restricted Payments*."

Each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement, (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement.

Merger and Consolidation

The Issuer

The Issuer will not consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all of its assets, in one transaction or a series of related transactions, to any person, unless:

(1) the resulting, surviving or transferee person (the "*Successor Issuer*") (if not the Issuer) (i) will expressly assume, by way of supplemental indenture or other documents or instruments, executed and delivered to the Trustee, all the obligations of the Issuer under the Indenture and all obligations of the Issuer under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Transaction Security Documents, as applicable, and (ii) is a person organized or existing under the laws of a member country of the Organization for Economic Cooperation and Development (or any successor thereof), the United Kingdom, any member of the European Union, the Cayman Islands, the Channel Islands, Japan, Norway, Switzerland or the United States, any state thereof, the District of Columbia or any territory thereof;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the applicable Successor Issuer or any Subsidiary of the applicable Successor Issuer as a result of such transaction as having been Incurred by the applicable Successor Issuer or such Subsidiary at the time of such transaction), no Default has occurred and is continuing;

(3) immediately after giving *pro forma* effect to such transaction and any related financing transactions, as if such transactions had occurred at the beginning of the applicable Relevant Testing Period: (a) the Issuer or the Successor Issuer, as applicable, would be permitted to Incur at least €1.00 of additional Indebtedness pursuant to the first paragraph or clause (1)(d) of the covenant described under "—*Certain Covenants—Limitation on Indebtedness*" or (b) either (x) the Fixed Charge Coverage Ratio for the Issuer and the Restricted Subsidiaries or the Successor Issuer and the Restricted Subsidiaries, as applicable, would be equal to or greater than the Fixed Charge Coverage Ratio for the Issuer and the Restricted Subsidiaries immediately prior to such

transaction or (y) the Consolidated Total Net Leverage Ratio for the Issuer and the Restricted Subsidiaries or the Successor Issuer and the Restricted Subsidiaries, as applicable, would be equal to or less than the Consolidated Total Net Leverage Ratio for the Issuer and the Restricted Subsidiaries immediately prior to such transaction;

(4) the Issuer or the Successor Issuer, as the case may be, shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (in the case of a Successor Issuer) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (in the case of a Successor Issuer) is a legal and binding agreement enforceable against the Successor Issuer, *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact; and

(5) the Holders (or the Security Agent on their behalf) will continue to have the same or substantially equivalent (ignoring for the purposes of assessing such equivalency any limitations required in accordance with the Agreed Security Principles or hardening periods) guarantees and security over the same or substantially equivalent assets and over the shares (or other interests) in the Issuer or the Successor Issuer, save to the extent such assets or shares (or other interests) cease to exist (*provided* that if the shares (or other interests) in the Issuer cease to exist, security will be granted (subject to the Agreed Security Principles) over the shares (or other interests) in the Successor Issuer).

The Successor Issuer will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Notes and the Indenture, but in a case of a lease of all or substantially all of its assets, the predecessor person will not be released from its obligations under the Indenture or the Notes.

Guarantors

No Guarantor may:

(1) consolidate with or merge with or into any person;

(2) sell, assign, convey, transfer, lease or dispose of, all or substantially all of its assets, in one transaction or a series of related transactions, to any person; or

(3) permit any person to merge with or into such Guarantor,

unless:

(A) the other person is the Issuer or any Restricted Subsidiary that is a Guarantor or becomes a Guarantor substantially concurrently with the transaction; or

(B) (1) either (x) the Issuer or a Guarantor is the continuing person or (y) the resulting, surviving or transferee person (I) expressly assumes all of the obligations of the Guarantor under the Indenture and all obligations of the Issuer under the Indenture (by way of a supplemental indenture or other documents or instruments executed and delivered in a form provided by the Issuer and reasonably satisfactory to the Trustee), the Intercreditor Agreement, any Additional Intercreditor Agreement and the Transaction Security Documents, as applicable, and (II) is a person organized or existing under the laws of a member country of the Organization for Economic Cooperation and Development (or any successor thereof), the United Kingdom, any member of the European Union, the Cayman Islands, the Channel Islands, Japan, Norway, Switzerland or the United States, any state thereof, the District of Columbia or any territory thereof; and

(C) either (1) immediately after giving effect to such transaction, no Default has occurred and is continuing, or (2) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise not prohibited by the Indenture.

The provisions set forth above shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not the Issuer or a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted

Subsidiary that is not the Issuer or a Guarantor; (ii) any Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Guarantor; (iii) any consolidation or merger of the Issuer into any Guarantor; *provided* that, if the Issuer is not the surviving entity of such merger or consolidation (A) the relevant Guarantor will assume the obligations of the Issuer under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Transaction Security Documents and clauses (1), (4) and (5) under the heading "*—The Issuer*" shall apply to such transaction; and (B) to the extent that any Transaction Security previously granted over the shares in the capital of the relevant Guarantor would not, in accordance with applicable law, constitute a Lien over the shares in the capital of the surviving entity, the direct Holding Company of the surviving entity shall, subject to the Agreed Security Principles, grant a Transaction Security over the shares in the capital of such surviving entity on substantially equivalent terms to any Transaction Security granted over the shares in the capital of such predecessor Guarantor immediately prior to such merger or consolidation; or (iv) the Issuer or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; *provided, however*, that, in the case of a consolidation, merger or combination of (x) the Issuer into or with an Affiliate that is not a Guarantor, clauses (1), (2), (4) and (5) under the heading "*—The Issuer*" and (y) any Guarantor into or with an Affiliate, clause (3) under this heading "*—Guarantors*," as the case may be, shall apply to such transaction.

The foregoing provisions under the headings "*—The Issuer*" and "*—Guarantors*" shall not apply to the creation of a new Subsidiary as a Restricted Subsidiary.

Nothing in the section under the heading "*—Merger and Consolidation*" shall prohibit or restrict the Transactions, any transaction in connection with the Target Merger, Delisting Merger or Debt Push Merger or a transaction as described under "*—IPO Debt Pushdown*," each of which shall be expressly permitted under the provisions under the heading "*—Merger and Consolidation*."

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a person.

Suspension of Covenants on Achievement of Investment Grade Status

Following the first day that:

(a) the Notes have achieved Investment Grade Status; and

(b) no Default or Event of Default has occurred and is continuing under the Indenture,

(each such event, a "*Covenant Suspension Event*") then, beginning on that day and continuing until the Reversion Date (as defined below), the Issuer and the Restricted Subsidiaries will not be subject to the provisions of the Indenture summarized under the following headings (collectively, the "*Suspended Covenants*"):

- "*—Limitation on Indebtedness*";
- "*—Limitation on Restricted Payments*";
- "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*";
- "*—Limitation on Affiliate Transactions*";
- "*—Limitation on Sales of Assets and Subsidiary Stock*";
- "*—Additional Guarantees*"; and
- clause (3) of the first paragraph of "*—Merger and Consolidation—The Issuer.*"

If at any time the Notes cease to have such Investment Grade Status, then the Suspended Covenants will thereafter be reinstated as if such covenants had never been suspended (the "*Reversion Date*") and will be applicable pursuant to the terms of the Indenture (including in connection with performing any calculation or assessment to determine compliance with the terms of the Indenture), unless and until the Notes subsequently attain Investment Grade Status (in which event the Suspended

Covenants shall no longer be in effect for such time that the Notes maintain an Investment Grade Status); *provided* that no Default, Event of Default or breach of any kind shall be deemed to exist under the Notes Documents with respect to the Suspended Covenants based on, and none of the Issuer or any of the Restricted Subsidiaries shall bear any liability with respect to such Suspended Covenants for, any actions taken or events occurring during the Suspension Period, or any actions taken at any time pursuant to any contractual obligation arising prior to the Reversion Date, regardless of whether such actions or events would have been permitted if the applicable Suspended Covenants remained in effect during such period. The period of time between the date of suspension of the covenants and the Reversion Date is referred to as the "*Suspension Period*."

On the Reversion Date, all Indebtedness Incurred during the Suspension Period will be deemed to have been outstanding on the Issue Date so that it is classified as permitted under clause (4)(a) of the second paragraph of the covenant described under the heading "*—Limitation on Indebtedness*." On and after the Reversion Date, all Liens created during the Suspension Period will be considered Permitted Liens pursuant to clause (11) of such definition. Calculations made after the Reversion Date of the amount available to be made as Restricted Payments as defined under "*—Limitation on Restricted Payments*" will be made as though the covenant described under "*—Limitation on Restricted Payments*" had been in effect since the Issue Date and prior to, but not during, the Suspension Period and, accordingly, Restricted Payments made during the Suspension Period will not reduce the amount available to be made as Restricted Payments under "*—Limitation on Restricted Payments*." On the Reversion Date, the amount of Excess Proceeds shall be reset at zero. Any Affiliate Transaction entered into after the Reversion Date pursuant to an agreement entered into during any Suspension Period will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (6) of the second paragraph under of the covenant described under "*—Limitation on Affiliate Transactions*." Any encumbrance or restriction on the ability of any Restricted Subsidiary to take any action described in the first paragraph of the covenant described under "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*" that becomes effective during the Suspension Period will be deemed to have existed on the Issue Date, so that it is classified as permitted under clause (1) of the second paragraph of the covenant described under "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*." On and after each Reversion Date, the Issuer and the Restricted Subsidiaries will be permitted to consummate the transactions contemplated by any contract entered into during the Suspension Period, so long as such contract and such consummation would have been permitted during such Suspension Period.

In addition, any future obligation to grant further Notes Guarantees shall be released. All such further obligation to grant Notes Guarantees shall be reinstated upon the Reversion Date.

There can be no assurance that the Notes will ever achieve or maintain Investment Grade Status.

The Trustee shall have no duty to monitor the ratings of the Notes, shall not be deemed to have any knowledge of the ratings of the Notes and shall have no duty to notify Holders if the Notes achieve Investment Grade Status or upon the occurrence of the Reversion Date. The Issuer shall notify the Trustee if the conditions under this covenant have been satisfied, although such notification shall not be a condition for suspension of the applicable covenants to be effective.

Events of Default

Subject to the provisions of this section, each of the following is an Event of Default under the Indenture:

(1) default in any payment of interest on any Note when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by the Issuer or any Guarantor or, solely in connection with the covenants described under "*—Certain Covenants—Limitation on Liens*" and "*—Certain Covenants—Impairment of Security Interest*," Topco, to comply for 60 days after written notice by the Trustee on behalf of the Holders or by the Holders of at least 30% in aggregate principal amount of the outstanding Notes with any agreement or obligation contained in the Indenture, other than those set out in clauses (1) or (2) above;

(4) the occurrence of any default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed which is Incurred or Guaranteed by the Issuer or any Significant Subsidiary, other than Indebtedness owed to the Issuer or a Restricted Subsidiary, which:

(a) is caused by a failure to pay principal of such Indebtedness, at its stated final maturity (after giving effect to any applicable grace periods) provided in such Indebtedness (a "*payment default*"); or

(b) results in the acceleration of such Indebtedness prior to its stated final maturity (the "*cross acceleration provision*"),

and, in each case, the aggregate principal amount of all Indebtedness subject to such payment defaults or accelerations (after giving effect to any applicable grace periods), is in excess of the greater of (x) €61.3 million and (y) 20.0% of LTM EBITDA;

(5) save as governed by either the second or third paragraphs of this covenant, certain events of bankruptcy, insolvency or court protection of the Issuer or a Significant Subsidiary (each, a "*Material Entity*") (the "*bankruptcy provisions*");

(6) failure by a Material Entity to pay final judgments aggregating in excess of the greater of (x) €61.3 million and (y) 20.0% of LTM EBITDA other than any judgments covered by indemnities provided by, or insurance policies issued by, reputable and creditworthy companies, which final judgments remain unpaid, undischarged and unstayed for a period of more than 60 days (after receipt of notice as described in the second paragraph of this covenant) after such judgment becomes final, and in the event such judgment is covered by insurance, an enforcement proceeding has been commenced by any creditor upon such judgment or decree which is not promptly stayed (the "*judgment default provision*");

(7) any Security Interest under the Transaction Security Documents (or a security interest under the Escrowed Property) having a fair market value in excess of the greater of (x) €45.9 million and (y) 15.0% of LTM EBITDA shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Transaction Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Indenture, the Escrow Charge, the Escrow Agreement or any other Notes Document) for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such Security Interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Transaction Security Documents or any such Security Interest created thereunder shall be declared invalid or unenforceable or the Issuer or any Restricted Subsidiary shall assert in writing that any such Security Interest is invalid or unenforceable and any such Default continues for 30 days (the "*security default provision*");

(8) except as permitted under the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement (including with respect to any limitations), any Notes Guarantee of one or more Guarantors that together constitute a Significant Subsidiary (a "*Significant Guarantor*") is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or is denied or disaffirmed by such Significant Guarantor or any person acting on behalf of it (the "*guarantee provision*"); and

(9) failure by the Issuer to consummate a Special Redemption on the Special Redemption Date as described above under "*—Escrow of Proceeds; Special Redemption*."

However, a Default under clauses (3), (4) or (6) of the first paragraph of this section will not constitute an Event of Default unless (i) the Trustee or the Holders of at least 30% in aggregate principal amount of the outstanding Notes has notified the Issuer of the Default and (ii) the Issuer has not cured such Default within 60 days after receipt of such notice, *provided* that a notice of Default may not be given with respect to any action taken and reported publicly and/or to the Holders, more than two (2) years prior to such notice of Default.

If an Event of Default (other than an Event of Default described in clause (5) of the first paragraph of this covenant) occurs and is continuing, the Trustee by written notice to the Issuer or the Holders of at least 30% in aggregate principal amount of the outstanding Notes by written notice to the Issuer and the Trustee may, and the Trustee (subject to certain conditions) at the request of such Holders shall, subject to the provisions of the next paragraph, declare the principal of, premium, if any, and accrued and unpaid interest, if any, on all the Notes to be due and payable. Upon such a declaration, such principal, premium, if any, and accrued and unpaid interest, if any, will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (4) of the first paragraph of this covenant has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) of the first paragraph of this covenant shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, in each case, within 30 days after the declaration of acceleration with respect thereto and the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction.

Any notice of Default under the first paragraph of this section (other than an Event of Default described in clause (5) of the first paragraph of this covenant), notice of acceleration with respect to an Event of Default under the first paragraph of this section (other than an Event of Default described in clause (5) of the first paragraph of this covenant) or instruction to the Trustee to provide a notice of Default under the first paragraph of this section (other than an Event of Default described in clause (5) of the first paragraph of this covenant), notice of acceleration with respect to an Event of Default under the first paragraph of this section (other than an Event of Default described in clause (5) of the first paragraph of this covenant) or take any other action with respect to an alleged Default or Event of Default the first paragraph of this section (other than an Event of Default described in clause (5) of the first paragraph of this covenant) (a "*Noteholder Direction*") provided by any one or more Holders (each, a "*Directing Holder*") must be accompanied by a written representation from each such Holder to the Issuer and the Trustee that such Holder is not, or, in the case such Holder is Euroclear or Clearstream (as applicable, the "*Relevant Clearing System*") or the Relevant Clearing System's nominee, that such Holder is being instructed solely by beneficial owners that are not, Net Short (a "*Position Representation*"), which representation, in the case of a Noteholder Direction relating to a notice of Default shall be deemed repeated at all times until the resulting Event of Default is cured or otherwise ceases to exist or the Notes are accelerated. In addition, each Directing Holder must, at the time of providing a Noteholder Direction, covenant to provide the Issuer with such other information as the Issuer may reasonably request from time to time in order to verify the accuracy of such Directing Holder's Position Representation within five Business Days of request thereof (a "*Verification Covenant*"). In any case in which the Holder is the Relevant Clearing System or the Relevant Clearing System's nominee, any Position Representation or Verification Covenant required hereunder shall be provided by the beneficial owner of the Notes in lieu of the Relevant Clearing System or the Relevant Clearing System's nominee.

If, following the delivery of a Noteholder Direction, but prior to acceleration of the Notes, the Issuer determines in good faith that there is a reasonable basis to believe a Directing Holder was, at any relevant time, in breach of its Position Representation and the Issuer provides to the Trustee an Officer's Certificate (which shall be provided to the Holders) certifying that the Issuer (i) believes in good faith that there is a reasonable basis to believe a Directing Holder was at any relevant time in breach of its Position Representation or its Verification Covenant and (ii) has filed papers with a court of competent jurisdiction seeking a determination that such Directing Holder was, at such time, in breach of its Position Representation, and seeking to invalidate any Event of Default that resulted from the applicable Noteholder Direction, the cure period with respect to such Event of Default shall be automatically stayed pending a final and non-appealable determination of a court of competent jurisdiction on such matter. If such Officer's Certificate has been delivered to the Trustee, the Trustee shall refrain from acting in accordance with such Noteholder Direction until such time as the Issuer provides to the Trustee an Officer's Certificate stating that (i) a Directing Holder has satisfied its Verification Covenant, (ii) a Directing Holder has failed to satisfy its Verification Covenant or (iii) a court of competent jurisdiction rules that such Directing Holder was, at such time, not in breach of its Position Representation or its Verification Covenant, and during such time the cure period with respect to any Event of Default that resulted from the applicable Noteholder Direction shall be automatically stayed pending satisfaction of such Verification Covenant. Any breach of the Position Representation shall result in such Directing Holder's participation in such Noteholder Direction being treated as if such Directing Holder had participated in the same proportion as all other Noteholder Direction participations that were made by Directing Holders who are not in breach of their Position Representations or Verification Covenant; and, if, without the participation of such Directing Holder, the percentage of Notes held by the remaining Holders that provided such Noteholder Direction would have been insufficient to validly provide such Noteholder Direction, such Noteholder Direction shall be void ab initio, with the effect that such Event of Default shall be deemed never to have occurred, and any related acceleration rescinded, and the Trustee shall be deemed not to have received such Noteholder Direction or any notice of such alleged Default or Event of Default, shall not be permitted to act thereon and shall be restricted from accepting and acting on any future Noteholder Direction in relation to such Event of Default. If the Directing Holder has satisfied its Verification Covenant, then the Trustee shall be permitted to act in accordance with such Noteholder Direction. Notwithstanding the above, if such Directing Holder's participation is not required to achieve the requisite level of consent of Holders required under the Indenture to give such Noteholder Direction, the Trustee shall be permitted to act in accordance with such Noteholder Direction notwithstanding any action taken or to be taken by the Issuer (as described above). The Trustee shall be entitled to conclusively rely on any Noteholder Direction or Officer's Certificate delivered to it in accordance with the Indenture without verification, investigation or otherwise as to the statements made therein.

Each Holder by accepting a Note acknowledges and agrees that the Trustee (and any agent) shall not be liable to any party howsoever arising for acting or refraining to act in accordance with (i) the foregoing provisions, (ii) any Noteholder Direction, (iii) any Officer's Certificate or (iv) its duties under the Indenture or the Intercreditor Agreement as the Trustee may determine in good faith (*provided* that the Trustee's conduct does not constitute gross negligence, willful misconduct or fraud). The Trustee shall have no obligation (i) to monitor, investigate, verify or otherwise determine if a Holder has Net Short position, (ii) investigate the merits, validity, accuracy or authenticity of any Position Representation or Officer's Certificate, as the case may be, (iii) inquire if the Issuer will seek action to determine if a Directing Holder has breached its Position Representation, (iv) enforce any Verification Covenant, (v) monitor any court proceedings undertaken in connection therewith, (vi) monitor or investigate whether any Default or Event of Default has been publicly reported or (vii) otherwise make any calculations, investigations or determinations with respect to any derivatives or Net Short position or otherwise.

If a Default occurs for a failure to report or failure to deliver a required certificate in connection with another default (the "*Initial Default*") occurs, then at the time such Initial Default is cured, such Default for a failure to report or failure to deliver a required certificate in connection with another default that resulted solely because of that Initial Default will also be cured without any further action.

If an Event of Default described in clause (5) above with respect to the Issuer occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest, if any, on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

Holders may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Transaction Security Documents except as provided in such Transaction Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any, on any Note held by a non-consenting Holder, which may only be waived with the consent of Holders of not less than 75% of the aggregate principal amount of the outstanding Notes) and rescind any such acceleration with respect to such Notes and its consequences (including the payment default that resulted from such acceleration) if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

The Indenture will provide that any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant under the heading "*—Certain Covenants—Reports*" or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or such notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

Any time periods prescribed in the Indenture to cure any actual or alleged Default or Event of Default may be extended or stayed by a court of competent jurisdiction.

For the avoidance of doubt, the Trustee shall be entitled to its rights and benefits under the Indenture for actions in respect of Defaults or Events of Default that are subsequently cured or annulled; *provided* that the Trustee's conduct is otherwise in accordance with the provisions of the Indenture and does not constitute willful misconduct, fraud or gross negligence.

The Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee and, if requested, the Trustee has received indemnification or security satisfactory to the Trustee in its sole discretion against any loss, liability, cost or expense (including certain legal fees). Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee written notice that an Event of Default is continuing and, if such Event of Default is in respect of clause (3), (4) or (6) of the first paragraph of this section, such Holder is not in breach of a Position Representation or Verification Covenant;

(2) Holders, or in the case of clauses (3), (4) or (6) of the first paragraph of this section, Directing Holders that are not in breach of a Position Representation or Verification Covenant, of at least 30% in principal amount of the outstanding Notes have requested in writing the Trustee to pursue the remedy;

(3) such Holders have offered in writing and, if requested, provided to the Trustee security and/or indemnity satisfactory to the Trustee in its sole discretion against any loss, liability, cost or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the written request and the offer of such security or indemnity; and

(5) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a written direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Indenture will provide that, in the event an Event of Default has occurred and is continuing, of which a responsible officer of the Trustee has received written notice, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines (after consultation with counsel) is unduly prejudicial to the rights of any other Holder or that would involve the Trustee or any Agent in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification or security satisfactory to the Trustee in its sole discretion against all fees, losses, liabilities, costs and expenses (including its legal fees) caused by taking or not taking such action.

The Indenture will provide that if a Default occurs and is continuing and the Trustee is informed in writing of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as the Trustee in good faith determines that withholding notice is in the interests of the Holders.

The Issuer is required to deliver to the Trustee, within 150 days after the end of the first fiscal year of the Issuer ending after the Issue Date and within 120 days after the end of each fiscal year ending thereafter, an Officer's Certificate: (i) confirming whether the Issuer is aware of any Default that occurred during the previous year, and (ii) if the Issuer is aware of one or more Defaults which have occurred during the previous year, specifying such Default and, to the extent such Default is continuing as of the date of such Officer's Certificate, what action the Issuer is taking or proposes to take in respect thereof. The Indenture will also provide that the Issuer is required to deliver to the Trustee, within 30 days after becoming aware of the occurrence thereof (unless waived or cured during such time period), written notice in the form of an Officer's Certificate of any event that has occurred and is continuing which would constitute a Default, its status, and what action the Issuer is taking or proposes to take in respect thereof.

Amendments and Waivers

Subject to certain exceptions described below and to the provisions described in "*—Meetings of Holders*" below and mandatory provisions of applicable law, the Notes Documents may be amended, supplemented or otherwise modified with the consent of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, to the extent permitted by applicable law, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, to the extent permitted by applicable law, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes); *provided* that if any amendment, waiver or other modification of the Notes Documents will only affect one series of the Notes, only the consent of a majority in aggregate principal amount of the then outstanding Notes of such series shall be required. Subject to the foregoing, without the consent of Holders holding not less than 75% of the then outstanding aggregate principal amount of the Notes, or if any amendment, waiver or other modification of the Notes Documents will only amend, waive or modify one series of the Notes, without the consent of Holders holding at least 75% of the then outstanding aggregate principal amount of Notes of such series amended, waived or modified, an amendment, waiver or other modification of the Notes Documents may not, with respect to any such Notes held by a non-consenting Holder:

(1) reduce the stated rate of or extend the stated time for payment of interest on any such Note (other than provisions relating to Change of Control and Asset Dispositions);

(2) reduce the principal of or extend the Stated Maturity of any such Note (other than provisions relating to Change of Control and Asset Dispositions);

(3) reduce the premium payable upon the redemption of any such Note or change the time at which any such Note may be redeemed, in each case as described above under "*Optional Redemption*" or "*Redemption for Taxation Reasons*";

(4) make any such Note payable in currency other than that stated in such Note;

(5) impair the right of any Holder to institute suit for the enforcement of any payment of principal of, or interest or Additional Amounts, if any, on such Holder's Notes on or after the due dates therefor;

(6) make any change in the provision of the Indenture described under "*Withholding Taxes*" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the applicable Payor agrees to pay Additional Amounts, if any, in respect thereof;

(7) (x) release all or substantially all Security Interests granted for the benefit of the Holders in the Charged Property (taken as a whole) other than in accordance with the terms of the Transaction Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement and the Indenture; or (y) release the Escrowed Property other than in accordance with the terms of the Escrow Agreement or the Escrow Charge; *provided* that, for the avoidance of doubt and without prejudice to the covenant described under "*—Certain Covenants—Impairment of Security Interest*," the release of less than all or substantially all Security Interests granted for the benefit of the Holders in the Charged Property (taken as a whole) shall only require the consent of Holders of at least a majority in principal amount of the Notes then outstanding (including, to the extent permitted by applicable law, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including, to the extent permitted by applicable law, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes);

(8) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any (except pursuant to a rescission of acceleration of the Notes which may be rescinded by the Holders of at least a majority in principal amount of such Notes and a waiver of the payment default that resulted from such acceleration which, for the avoidance of doubt, may be waived by Holders of at least a majority in principal amount of such Notes);

(9) release any Guarantor from any of its obligations under its Notes Guarantee or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor Agreement; or

(10) reduce the principal amount of Notes whose Holders must consent to any amendment, waiver or modification or make any other change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

For the avoidance of doubt, the Indenture will not include any provision incorporating, giving effect to, or otherwise reflecting the provisions of Section 316(b) of the Trust Indenture Act and no amendment to, or deletion of, or actions taken in compliance with, the covenants described under "*—Certain Covenants*" shall be deemed to impair or affect any rights of Holders to receive payment of principal of, or interest or premium, if any, on the Notes.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Notes Documents to:

(1) cure any ambiguity, omission, mistake, defect, error or inconsistency;

(2) provide for the assumption by a successor person of the obligations of the Issuer or a Guarantor under any Notes Document (including in connection with the Target Merger, Delisting Merger and/or Debt Push Merger);

(3) add to the covenants or provide for a Notes Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

(4) make any change that would provide additional rights or benefits to the Trustee or the Holders or make any change that does not adversely affect the rights of the Trustee or any Holder in any material respect under such Notes Document;

(5) provide for uncertificated Notes in addition to or in place of certificated Notes;

(6) provide for the issuance of Additional Notes in accordance with the terms of the Indenture;

(7) provide for any Restricted Subsidiary to provide a Notes Guarantee in accordance with the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or "*—Certain Covenants—Additional Guarantees*," to add Notes Guarantees with respect to the Notes, to add an obligor or a Guarantor under any Notes Document, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Notes Guarantee or Lien with respect to or securing the Notes when such release, termination, discharge or retaking is provided for under the Indenture, the Transaction Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(8) conform the text of the Indenture, the Transaction Security Documents or any other Notes Document to any provision of this "*Description of the Notes*" to the extent that such provision in this "*Description of the Notes*" was intended to be a recitation of a provision of the Indenture, the Transaction Security Documents or such Notes Document;

(9) evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee, successor Security Agent or other successor agent pursuant to the requirements thereof or to provide for the accession by the Trustee, Security Agent or other agent to any Notes Document;

(10) in the case of the Transaction Security Documents, to mortgage, pledge, hypothecate or grant a Security Interest in favor of the Security Agent for the benefit of the Holders or parties to the Revolving Facility, Guarantee Facility or Bridge Facility, in any property which is required by the Transaction Security Documents or the Revolving Facility (as in effect on the Issue Date), Guarantee Facility (as in effect on the Issue Date) or the Bridge Facility (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a Security Interest is required to be granted to the Security Agent, or to the extent necessary to grant a Security Interest in the Charged Property for the benefit of any person; *provided* that the granting of such Security Interest is not prohibited by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under "*—Certain Covenants—Impairment of Security Interest*" is complied with;

(11) release any Guarantor from its Notes Guarantee pursuant to the Indenture when permitted or required by the Indenture;

(12) release and discharge any Lien securing the Notes when permitted or required by the Indenture (including pursuant to the second paragraph of the covenant described under "*—Certain Covenants—Liens*") or the Transaction Security Documents;

(13) make any amendment to the provisions of the Indenture relating to the transfer and legending of Notes as permitted by the Indenture, including to facilitate the issuance and administration of Notes; *provided, however*, that (i) compliance with the Indenture as so amended would not result in Notes being transferred in violation of the Securities Act or any other applicable securities law and (ii) such amendment does not adversely affect the rights of holders of the Notes to transfer Notes in any material respect;

(14) comply with the rules of any applicable securities depository;

(15) provide for a reduction in the minimum denominations of the Notes;

(16) facilitate any transaction that complies with the provisions described under the headings "*—Merger and Consolidation*" and "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" relating to mergers, consolidations and sales of assets;

(17) make any amendment of an administrative or ministerial nature to the provisions of the Indenture or any Notes Document to facilitate the Target Merger, Delisting Merger or Debt Push Merger, a Permitted Reorganization or a transaction described under "*—IPO Debt Pushdown*";

(18) as provided in "*—Certain Covenants—Additional Intercreditor Agreements*"; or

(19) amend, supplement or otherwise modify the Escrow Agreement or the Escrow Charge to the extent that such amendment, supplement or modification does not adversely affect the rights of holders of the Notes in any material respect.

In formulating its decisions on such matters, the Trustee and the Security Agent, as applicable, shall be entitled to require and rely absolutely on such evidence as it deems appropriate, including Officer's Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment, waiver or consent in respect of any Notes Document. It is sufficient if such consent approves the substance of the proposed amendment, waiver or consent. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender. The Indenture will not contain a covenant regulating the offer or payment of a consent fee to Holders.

Notwithstanding the foregoing, in order to effect an amendment authorized by clauses (2), (3) and (7) above or as contemplated by the covenant described under "*—Certain Covenants—Additional Guarantees*" in each case in respect of the provision of a Notes Guarantee for the benefit of Holders, a supplemental indenture or other documents or instruments providing for the accession of such Guarantor or the provisions of such Notes Guarantee shall be authorized and executed by the Issuer, such additional Guarantor and the Trustee (and no other party).

Acts by Holders

A Note does not cease to be outstanding because the Issuer, an Affiliate of the Issuer, or any fund or other entity controlled, managed or advised by any direct or indirect shareholder of the Issuer (or, in each case, any successor thereof) holds the Note; *provided* that, in determining whether the holders of the requisite majority of outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Notes owned by the Issuer, an Affiliate of the Issuer, or any fund or other entity controlled, managed by or advised by any direct or indirect shareholder of the Issuer (or, in each case, any successor thereof) shall be disregarded and deemed not to be outstanding if a responsible officer of the Trustee has received written notice of such ownership at least two Business Days prior to the date of such determination. Prior to the receipt of such notice, the Trustee shall be entitled to assume that none of the Notes are owned by the Issuer, an Affiliate of the Issuer, or any fund or other entity controlled, managed by or advised by any direct or indirect shareholder of the Issuer (or, in each case, any successor thereof). For the avoidance of doubt, provision of such notice shall not be an obligation of the Issuer.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer and the Guarantors under the Notes Documents ("*legal defeasance*") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registrations of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Transaction Security Documents and the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate the obligations of it and the Restricted Subsidiaries under the covenants described under "*—Certain Covenants*" (other than clauses (1), (2) and (4) of "*—Merger and Consolidation—The Issuer*") and "*—Change of Control*" and the default provisions relating to such covenants described under "*—Event of Default*," the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions (other than with respect to the Issuer), the judgment default provision, the guarantee provision and the security default provision described under "*—Events of Default*" above ("*covenant defeasance*").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to the Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1), (2) and (4) of "*—Merger and Consolidation—The Issuer*"), (4), (5) (other than with respect to the Issuer), (6), (7) or (8) under "*—Events of Default*" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose) cash in Euros or European Government Obligations or a combination thereof for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel to the effect that Holders, in their capacity as Holders, will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel must be based on a ruling of the U.S. Internal Revenue Service or change in applicable U.S. federal income tax law since the issuance of the Notes);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer; and

(3) an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement, the Transaction Security Documents and any other relevant Notes Document will be discharged and cease to be of further effect (except as to surviving rights of transfer or exchange of the Notes and certain surviving rights of the Trustee and the Issuer's obligations with respect thereto, in each case, as expressly provided for in the Indenture) as to all Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Trustee for cancellation; or (b) all Notes not previously delivered to the Trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee or the Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose), money in Euros or European Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not previously delivered to the Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel (which the Trustee may rely on without further inquiry) each stating that all conditions precedent under the section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)). If requested in writing by the Issuer (which request may be included in the above-mentioned Officer's Certificate), the Trustee or Paying Agent (or such other entity directed, designated or appointed by the Issuer and reasonably acceptable to the Trustee, acting for the Trustee for this purpose) shall distribute any amounts deposited to the Holders prior to Stated Maturity or the redemption date, as the case may be; *provided*, *however*, that the Holders shall have received at least three Business Days' notice from the Issuer of such earlier repayment date (which may be included in the notice of redemption). For the avoidance of doubt, the distribution and payment to Holders prior to the maturity or redemption date as set forth above will not include any negative interest, present value adjustment, break costs or any other premium on such amounts. To the extent the Notes are represented by a Global Note deposited with a depositary for the clearing system, any payment to the beneficial holders holding interests as a participant of such clearing system shall be subject to the then applicable procedures of the clearing system.

Meetings of Holders

All meetings of Holders of each series of Notes will be held in accordance with applicable Italian laws and regulations in force from time to time (including, without limitation, Legislative Decree No. 58 of 24 February 1998 as amended) and the by-laws of the Issuer in force from time to time. In addition to and without prejudice to the provisions described above under the caption "—*Amendments and Waivers*," the Indenture will include provisions for the convening of meetings of the Holders of the Notes to consider any matter affecting their interests, including, without limitation, the modification, waiver or abrogation by extraordinary resolution of any provisions of the Notes or the Indenture. The provisions set out in the Indenture will be deemed to be amended, replaced and supplemented to the extent that any Italian laws and regulations dealing with the meetings of the Holders of the Notes or the relevant provisions in the by-laws of the Issuer are amended at any time imposing a change to such provisions while the Notes remain outstanding. In accordance with Article 2415 of the Italian Civil Code, the meeting of the Holders of the Notes is empowered to resolve upon the following matters: (i) the appointment and revocation of the Noteholders' Representative (as defined below), (ii) any amendment to the terms and conditions of the Notes, (iii) motions for the composition with creditors (*concordato*) of the Issuer; (iv) establishment of a fund for the expenses necessary for the protection of the common interests of the Holders and the related statements of account; and (v) any other matter of common interest to the Holders of the Notes.

A meeting may be convened either (i) by the Board of Directors of the Issuer or (ii) by the Noteholders' Representative (as defined below) at their discretion and, in any event, shall be convened by either of them upon request by Holders of at least 5.0% of the aggregate principal amount of the outstanding Notes. If the Board of Directors of the Issuer defaults in convening such a meeting following such request of the Holders, the same shall be convened by the Board of Statutory Auditors of the Issuer (or other equivalent corporate body) or, in the case of failure, by a decree of the competent court if the default is unjustified upon request by such Holders, in accordance with the provisions of Article 2367, paragraph 2, of the Italian Civil Code. Every such meeting shall be held at such time and place as provided pursuant to Article 2363 of the Italian Civil Code and the by-laws of the Issuer in force from time to time.

In accordance with Italian law, such a meeting will be validly held if: (a) in the case of a first meeting (*prima convocazione*), there are one or more persons present being or representing Holders of the Notes holding more than one half of the aggregate principal amount of the then outstanding Notes, (b) in the case of a second meeting (*seconda convocazione*) or any further adjourned meeting (*convocazioni successive*), there are one or more persons present being or representing Holders of the Notes holding more than one third of the aggregate principal amount of the then outstanding Notes, provided however that the Issuer's by-laws in force from time to time may in each case (to the extent permitted under applicable Italian law) provide for a higher quorum.

The vote required to pass a resolution by a meeting of the Holders of the Notes will be (i) in the case of the first meeting (*prima convocazione*), one or more persons that hold or represent Holders of the Notes holding more than one half of the aggregate principal amount of the outstanding Notes and (ii) in the case of the second meeting (*seconda convocazione*) and any further adjourned meeting (*convocazioni successive*), one or more persons that hold or represent Holders of the Notes holding at least two-thirds of the aggregate principal amount of the Notes so present or represented at such meeting, *provided*, *however*, that the Issuer's by-laws may (to the extent permitted under Italian law) provide for a higher quorum. Certain proposals, as set out under Article 2415 paragraph 1, item 2, and paragraph 3, of the Italian Civil Code (namely, the amendment of the terms and conditions of the Notes) may only be approved by an extraordinary resolution passed at a meeting of Holders of the Notes (including any adjourned meeting) by one or more persons present that hold or represent Holders of the Notes holding at least one-half of the aggregate principal amount of the outstanding Notes.

With respect to the matters set forth in the second paragraph under "*—Amendments and Waivers*," and to the extent permitted under Italian law, the Indenture will contractually increase the percentage of the aggregate principal amount of Notes otherwise required by Italian law to pass an extraordinary resolution with respect to such matters to 75% of the aggregate principal amount of the outstanding Notes. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The terms and conditions of the Notes may be amended with the vote of 75% of the aggregate principal amount of the outstanding Notes*." Any resolution duly passed at any such meeting shall be binding on all the Holders of the Notes, whether or not such holder was present at such meeting or voted to approve such resolution.

To the extent provided by the Italian Civil Code, the resolutions passed by a meeting of Holders of the Notes can be challenged by Holders pursuant to Articles 2416, 2377 and 2379 of the Italian Civil Code. The Indenture will provide that the provisions described under this "*—Meetings of Holders*" will be in addition to, and not in substitution of, the provisions described under the caption "*—Amendments and Waivers*." As such and notwithstanding the foregoing, any amendment, supplement and/or waiver, in addition to complying with the provisions described under this "*—Meetings of Holders*" must also comply with the other provisions described under "*—Amendments and Waivers*."

Pursuant to and for the purposes of Article 2419 of the Italian Civil Code, the individual rights of the Holders of the Notes are not precluded, unless they are inconsistent with the resolutions of the meeting of the Holders of the Notes pursuant to Article 2415 of the Italian Civil Code.

Security Representative and Noteholders' Representative

Pursuant to the terms of the Indenture, the execution of the Indenture and the issuance and purchase of the Notes on the Issue Date shall be deemed to constitute the authorization and agreement on behalf of the Holders of the Notes of the initial appointment as of the Issue Date of the Security Representative as representative (*rappresentante*) of the Holders of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code in order to create and grant in its favor security interests and guarantees securing and guaranteeing the Notes and entitle it to exercise in the name and on behalf of the Holders of the Notes all their rights (including any rights before any court and judicial proceedings) relating to such security interests and guarantees. Pursuant to the terms of the Indenture, each Holder of the Notes from time to time, by accepting a Note, shall be deemed to have agreed to, and accepted, the appointment of Lucid Trustee Services Limited, as Security Representative.

Moreover, a representative of the Holders of the Notes (*rappresentante comune*) (the "*Noteholders' Representative*") may be appointed pursuant to Articles 2415 and 2417 of the Italian Civil Code by the

Holders of the Notes in order to, *inter alia*, represent the interests of the Holders of the Notes under the Notes pursuant to Article 2418 of the Italian Civil Code as well as to give effect to resolutions passed at a meeting of the Holders of the Notes. If the Noteholders' Representative is not appointed by a meeting of the Holders of the Notes, the Noteholders' Representative shall be appointed by a decree of the competent Court upon request by one or more Holders of the Notes or upon request by the directors of the Issuer. The Noteholders' Representative remains appointed for a maximum period of three financial years but may be subsequently reappointed thereafter and shall have the powers and duties set out in Article 2418 of the Italian Civil Code.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer or any of its respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or any Guarantor under the Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

BNY Mellon Corporate Trustee Services Limited is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default of which a responsible officer of the Trustee has received written notice, the Trustee will perform only such duties as are set forth specifically in such Indenture. During the existence of an Event of Default of which a responsible officer of the Trustee has received written notice, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in Indenture will not be construed as an obligation or duty. The Indenture will provide that the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless such Holder has offered and, if requested, provided to the Trustee customary protection or security or indemnification, satisfactory to the Trustee in its sole discretion.

The Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

The Indenture will set out the terms under which the Trustee may retire or be removed and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, (b) fails to meet any minimum limits as may be specified in the Indenture regarding the aggregate of its capital and surplus or (c) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a bona fide Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any losses, liabilities, taxes, charges, claims, costs and expenses (including certain legal fees) incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Indenture. The Trustee and the Security Agent, as applicable, shall be entitled to rely solely and conclusively on any Officer's Certificate, Opinion of Counsel or other evidence as it deems appropriate in formulating its opinion or in taking or not taking any action under the Indenture, and may rely on such Officer's Certificate, Opinion of Counsel or other evidence as it deems appropriate without need for further investigation or verification.

Any obligations under the Indenture of The Bank of New York Mellon SA/NV, Luxembourg Branch or The Bank of New York Mellon SA/NV, Dublin Branch will be subject to bail-in powers under the EU Bank Recovery and Resolution Directive.

Notices

If and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and if and to the extent that the rules of the Luxembourg Stock Exchange so require, notices of the Issuer with respect to the Notes will be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*). In addition, for so long as any Notes are represented by Global Notes, all notices to Holders will be delivered by or on behalf of the Issuer to Euroclear and Clearstream. Such notices may instead be published in a leading newspaper of general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or if, in the opinion of the Issuer such publication is not practicable, in an English language newspaper having general circulation in Europe.

All notices to Holders will be validly given if electronically delivered or mailed to them at their respective addresses in the register of the Holders, if any, maintained by the Registrar. For so long as any Notes are represented by Global Notes, all notices to Holders will be delivered to Euroclear and Clearstream in accordance with the applicable procedures of Euroclear and Clearstream, delivery of which shall be deemed to satisfy the requirements of this paragraph, which will give such notices to the Holders of Book-Entry Interests.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it. If a notice or communication is given in via Euroclear or Clearstream, it is duly given on the day the notice is given to Euroclear or Clearstream.

Prescription

Claims against the Issuer or any Guarantor for the payment of principal, premium, if any, or Additional Amounts, if any, on the Notes will be prescribed ten (10) years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed six years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Euro-Denominated Restrictions

Euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Notes and the Notes Guarantees, including damages. Any amount received or recovered in a currency other than Euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee or the Paying Agent, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the Euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that Euro amount is less than the Euro amount expressed to be due to the recipient or the Trustee or the Paying Agent under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee or the Paying Agent as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee and the Paying Agent on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Note, the Trustee or the Paying Agent to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note, the Trustee or the Paying Agent (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any Notes Guarantee, or to the Trustee or the Paying Agent.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any Euro-denominated restriction herein, the Euro equivalent amount for purposes hereof that is denominated in a non-Euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-Euro amount is Incurred or made, as the case may be.

Listing

Application will be made to list the Notes on the Official List of Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF thereof. There can be no assurance that the application to list the Notes on the Official List of Luxembourg Stock Exchange and to admit the Notes on the Euro MTF will be approved and settlement of the Notes is not conditioned on obtaining such listing.

Enforceability of Judgments

Since substantially all of the assets of the Issuer and the Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, including judgments with respect to the payment of principal, premium, if any, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes or the Notes Guarantees, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture, the Notes and the Notes Guarantees, the Issuer and each Guarantor in the Indenture or the applicable supplemental indenture will irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States. The Indenture will provide that the Issuer and each Guarantor, will appoint CT Corporation System, as their agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Notes Guarantees brought in any U.S. federal or New York state court located in the City of New York.

Governing Law

The Indenture, the Notes and the Notes Guarantees, and the rights and duties of the parties thereunder, will be governed by and construed in accordance with the laws of the State of New York. For the avoidance of doubt, the governing law of the Indenture and the Notes may be amended with the consent of Holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, to the extent permitted by applicable law, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). The sections "*Amendments and Waivers*", "*Meeting of Holders*" and "*Security Representative and Noteholders' Representative*" and the provisions of the Indenture concerning the meetings of Holders of the Notes and the appointment of the Security Representative and the Noteholders' Representative in respect of the Notes are subject to compliance with the laws of the Republic of Italy. The Intercreditor Agreement and the Escrow Agreement and the rights and duties of the parties thereunder are governed by and construed in accordance with the laws of England. The Transaction Security Documents and the Escrow Charge are or will be governed by the law of the location of the relevant asset that is part of the Charged Property.

Certain Definitions

"*Acquired Indebtedness*" means Indebtedness: (1) of a person or any of its Subsidiaries existing at the time such person becomes a Restricted Subsidiary; (2) assumed in connection with the acquisition of assets from such person, in each case whether or not Incurred by such person in connection with such person becoming a Restricted Subsidiary or such acquisition; or (3) of a person at the time such person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary, *provided* that Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) on the date such person becomes a Restricted Subsidiary, with respect to clause (2) on the date of consummation of such acquisition of assets and, with respect to clause (3) on the date of the relevant merger, consolidation or other combination.

"*Acquisition*" means the SO.FI.MA Acquisition and/or the MTO Acquisition.

"*Acquisition Agreement*" means the investment and purchase agreement dated July 28, 2020, between, among others, May Holding S.à r.l. and SO.FI.MA. S.p.A. in connection with the SO.FI.M.A Acquisition.

"*Acquisition Closing Date*" means November 10, 2020, the date on which the Acquisition was completed in accordance with the terms of the Acquisition Agreement.

"*Additional Assets*" means:

(1) any property or assets (other than Capital Stock) used or to be used by the Issuer, a Restricted Subsidiary or otherwise useful (including Investments in property or assets for potential future use) in a Similar Business (it being understood that capital expenditures on property or assets already used, or to be used, in a Similar Business or to replace any property or assets that are the subject of such Asset Disposition shall be deemed an investment in Additional Assets);

(2) the Capital Stock of a person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Issuer or a Restricted Subsidiary; or

(3) Capital Stock constituting a minority interest in any person that at such time is a Restricted Subsidiary.

"*Affiliate*" of any specified person means any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person. For the purposes of this definition, "*control*" when used with respect to any person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "*controlling*" and "*controlled*" have meanings correlative to the foregoing.

"*Agreed Security Principles*" means the agreed security principles appended to the Revolving Facility Agreement, as of the Issue Date, as applied *mutatis mutandis* with respect to the Notes in good faith by the Issuer.

"*AIFMD*" means the Alternative Investment Fund Managers Directive 2011/61/EU.

"*Applicable Premium*" means:

- (a) with respect to any Floating Rate Note, the greater of:
  - (i) 1.0% of the principal amount of such Floating Rate Note; and
  - (ii) as of any redemption date, the excess (to the extent positive) of:
    - (A) the present value at such redemption date of (1) 100.000% of the principal amount of such Floating Rate Note, *plus* (2) all required interest payments due on such Floating Rate Note to and including January 15, 2022 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate (as defined below) at such redemption date (or, if greater than such Bund Rate, zero) *plus* 50 basis points and assuming that the rate of interest on the Floating Rate Notes for the period from the redemption date through January 15, 2022, will equal the rate of interest on the Floating Rate Notes in effect on the date on which the applicable notice of redemption is given; over
    - (B) the outstanding principal amount of such Floating Rate Note; and

(b) with respect to any Fixed Rate Note, the greater of:

(i) 1.0% of the principal amount of such Fixed Rate Note; and

(ii) as of any redemption date, the excess (to the extent positive) of:

(A) the present value at such redemption date of (1) the redemption price of such Fixed Rate Note at January 15, 2023 (such redemption price (expressed in percentage of principal amount) being set forth in the table under the heading "*Optional Redemption—Optional Redemption of the Fixed Rates Notes*" (excluding accrued and unpaid interest)), *plus* (2) all required interest payments due on such Fixed Rate Note to and including January 15, 2023 (excluding accrued but unpaid interest), computed upon the redemption date (or, if greater than such Bund Rate, zero) using a discount rate equal to the Bund Rate at such redemption date *plus* 50 basis points;

(B) the outstanding principal amount of such Fixed Rate Note,

as calculated by the Issuer or on behalf of the Issuer by such person as the Issuer shall designate. For the avoidance of doubt, calculation of Applicable Premium shall not be an obligation or duty of the Trustee or the Paying Agent.

"*Asset Disposition*" means:

(a) the voluntary sale, conveyance, transfer or other disposition, whether in a single transaction or a series of related transactions, of property or assets (including by way of a Sale and Leaseback Transaction) of the Issuer or any of the Restricted Subsidiaries (in each case other than Capital Stock of the Issuer) (each referred to in this definition as a "*disposition*"); or

(b) the issuance, sale, transfer or other disposition of Capital Stock of any Restricted Subsidiary (other than Preferred Stock or Disqualified Stock of Restricted Subsidiaries issued in compliance with the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or directors' qualifying shares and shares issued to foreign nationals as required under applicable law), whether in a single transaction or a series of related transactions,

in each case, other than:

(1) a disposition by the Issuer or a Restricted Subsidiary to the Issuer or a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory, receivables, trading stock, equipment or other assets (including Settlement Assets) in the ordinary course of business or consistent with past practice or held for sale or no longer used in the ordinary course of business, including any disposition of disposed, abandoned or discontinued operations;

(4) a disposition of obsolete, worn-out, uneconomic, damaged, retired or surplus property, equipment, facilities or other assets or property, equipment or other assets that are no longer economically practical or commercially desirable to maintain or used or useful in the business of the Issuer and the Restricted Subsidiaries whether now or hereafter owned or leased or acquired in connection with an acquisition or used or useful in the conduct of the business of the Issuer and the Restricted Subsidiaries (including by ceasing to enforce, allowing the lapse, abandonment or invalidation of or discontinuing the use or maintenance of or putting into the public domain any intellectual property that is, in the reasonable judgment of the Issuer or the Restricted Subsidiaries, no longer used or useful, or economically practicable to maintain, or in respect of which the Issuer or any Restricted Subsidiary determines in its reasonable judgment that such action or inaction is desirable);

(5) transactions permitted under "*—Certain Covenants—Merger and Consolidation*" (including the Target Merger, Delisting Merger or Debt Push Merger) or a transaction that constitutes a Change of Control;

(6) an issuance, disposition, sale or transfer of Capital Stock (A) by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity based, equity linked, profit sharing or performance based, incentive or compensation plan approved by the Board of Directors of the Issuer or (B) relating to directors' qualifying shares and shares issued to individuals as required by applicable law;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Issuer) of less than the greater of (a) €45.9 million and (b) 15.0% of LTM EBITDA;

(8) any Restricted Payment, Permitted Payment or Permitted Investment that is permitted to be made, and is made, under the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," and/or asset sales, dispositions or transfers (or portions thereof) to the extent the proceeds of which are used within 365 days of receipt of such proceeds to make such Restricted Payments, Permitted Payments or Permitted Investments;

(9) dispositions in connection with Permitted Liens;

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or consistent with past practice or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements or any sale of assets received by the Issuer or a Restricted Subsidiary upon the foreclosure of a Lien granted in favour of the Issuer or any Restricted Subsidiary;

(11) conveyances, sales, transfers, licenses or sublicenses, lease or assignment or other dispositions of intellectual property rights, software or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business or consistent with past practice or pursuant to a research or development agreement in which the counterparty to such agreement receives a license or other right in the intellectual property or software that result from such agreement;

(12) the lease, assignment, license, sublease or sublicense of any real or personal property in the ordinary course of business or consistent with past practice;

(13) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;

(14) the sale or discount (with or without recourse, and on customary or commercially reasonable terms and for credit management purposes including pursuant to any factoring arrangements) of accounts receivable or other loans or notes receivable arising in the ordinary course of business or consistent with past practice, or the conversion or exchange of accounts receivable for notes receivable;

(15) any issuance, sale or transfer of Capital Stock in, or Indebtedness or other securities of, an Unrestricted Subsidiary or any other disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary or an Immaterial Subsidiary;

(16) any disposition, issuance, sale or transfer of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(17) dispositions of property to the extent: (i) that such property is exchanged for credit against the purchase price of similar replacement property that is promptly purchased; (ii) that the proceeds of such disposition are promptly applied to the purchase price of such replacement property (which replacement property is actually promptly purchased); or (iii) allowable under Section 1031 of the Code (or any similar provision under applicable tax law) and constituting any exchange of like property (excluding any boot thereon) for use in a Similar Business;

(18) any disposition of Securitization Assets or Receivables Assets, or participations therein, in connection with any Qualified Securitization Financing or Receivables Facility, or the disposition of an account receivable in connection with the collection or compromise thereof in the ordinary course of business or consistent with past practice;

(19) any disposition pursuant to any non-recourse factoring transaction or any financing transaction with respect to property constructed, acquired, replaced, repaired or improved (including any reconstruction, refurbishment, renovation and/or development of real property) by the Issuer or any Restricted Subsidiary after the Issue Date, including Sale and Leaseback Transactions and asset securitizations, permitted by the Indenture;

(20) dispositions of Investments in joint ventures or similar entities to the extent required by, or made pursuant to customary buy/sell arrangements between, the parties to such joint venture set forth in joint venture arrangements and similar binding arrangements;

(21) any surrender or waiver of contractual rights or the settlement, release, surrender or waiver of contractual, tort, litigation or other claims of any kind;

(22) the unwinding of any Cash Management Services or Hedging Obligations (or any other disposition of interests in derivative transactions);

(23) any disposition of assets to a person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such person, *provided* that the Issuer shall certify that in its opinion, the outstanding transaction will be economically beneficial to the Issuer and the Restricted Subsidiaries (considered as a whole); and

(24) dispositions of non-core assets (as determined by the Issuer in its good faith judgment) in connection with an acquisition, *provided* that the value of such noncore assets does not exceed 50% of the consideration payable in connection with such acquisition and the consideration received by the Issuer or any Restricted Subsidiary from such disposition is not less than the fair market value of such disposition (or, if lower, the consideration paid by the Issuer or any Restricted Subsidiary for such non-core asset),

in each case *provided* that in the event that a transaction (or any portion thereof) meets the criteria of a permitted Asset Disposition and would also be a Permitted Investment or an Investment permitted under "*—Certain Covenants—Limitation on Restricted Payments,*" the Issuer, in its sole discretion, will be entitled to divide and classify such transaction (or a portion thereof) as an Asset Disposition and/or one or more of the types of Permitted Investments or Investments permitted under "*—Certain Covenants—Limitation on Restricted Payments.*"

"*Associate*" means (i) any person engaged in a Similar Business of which the Issuer or the Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Issuer or any Restricted Subsidiary.

"*Available RP Capacity Amount*" means:

(a) the aggregate amount of Restricted Payments that may be made at the time of determination pursuant to (x) the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*" and (y) clauses (6), (10), (12), (17) and (19) of the third paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments,*" in each case, multiplied by one hundred per cent.; *minus*

(b) the sum of the amount of the Available RP Capacity Amount utilized by the Issuer or any Restricted Subsidiary to (i) make Restricted Payments in reliance on the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*" and clauses (6), (10), (12), (17) and (19) of the third paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments,*" and (ii) Incur Indebtedness pursuant to clause (20) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*"; *plus*

(c) the aggregate principal amount of Indebtedness prepaid prior to or substantially concurrently at such time, solely to the extent such Indebtedness was Incurred pursuant to clause (20) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (it being understood that the amount under this clause (c) shall only be available for use pursuant to clause (20) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*").

"*BidCo*" refers to IMA BidCo S.p.A.

"*Board of Directors*" means (i) with respect to any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof, (ii) with respect to any partnership, the board of directors or other governing body of the general partner, as applicable, of the partnership or any duly authorized committee thereof, (iii) with respect to a limited liability company, the managing member or members or any duly authorized controlling committee thereof and (iv) with respect to any other person, the board or any duly authorized committee of such person serving a similar function. Whenever any provision of the Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval). Unless the context requires otherwise, Board of Directors means the Board of Directors of the Issuer.

"*Bridge Facility*" means the €1,250 million senior secured bridge facility made available under the Bridge Facility Agreement.

"*Bridge Facility Agreement*" means the senior secured bridge facility agreement dated November 17, 2020, among, *inter alios*, the Issuer and the lenders as specified therein.

"*Bund Rate*" as selected by the Issuer, means the rate per annum equal to the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bunds* or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by the Board of Directors of the Issuer)) most nearly equal to the period from the redemption date to (i) in the case of the Floating Rate Notes, January 15, 2022 or (ii) in the case of the Fixed Rate Notes, January 15, 2023; *provided, however*, that if the period from the redemption date to (i) in the case of the Floating Rate Notes, January 15, 2022 or (ii) in the case of the Fixed Rate Notes, January 15, 2023, is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to (i) in the case of the Floating Rate Notes, January 15, 2022 or (ii) in the case of the Fixed Rate Notes, January 15, 2023, is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used and provided that the "Bund Rate" shall be at least 0.00%.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in Milan, Italy, New York, New York, Luxembourg or London, United Kingdom are authorized or required by law to close.

"*Business Successor*" means (i) any former Subsidiary of the Issuer and (ii) any person that, after the Issue Date, has acquired, merged or consolidated with a Subsidiary of the Issuer (that results in such Subsidiary ceasing to be a Subsidiary of the Issuer), or acquired (in one transaction or a series of transactions) all or substantially all of the property and assets or business of a Subsidiary or assets constituting a business unit, line of business or division of a Subsidiary of the Issuer.

"*Capital Stock*" of any person means any and all shares of, rights to purchase or acquire, warrants, options or depositary receipts for, or other equivalents of, or partnership or other interests in (however designated), equity of such person, including any Preferred Stock, but excluding any debt securities convertible into, or exchangeable for, such equity.

"*Capitalized Lease Obligations*" means, in relation to any determination, an obligation that is required to be classified and accounted for as lease liabilities on the balance sheet in accordance with IFRS 16 (*Leases*) (or any equivalent measure under GAAP). The amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined on the basis of IFRS 16 (*Leases*) (or any equivalent measure under GAAP); and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"*Cash Equivalents*" means:

(1) Euros, Brazilian reals, Canadian dollars, Swiss Francs, United Kingdom pounds, Japanese Yen, Dollars, Australian Dollars or any national currency of any member state of the European Union or

any other foreign currency held by the Issuer and the Restricted Subsidiaries in the ordinary course of business;

(2) securities or other direct obligations issued or directly and fully Guaranteed or insured by the government of Australia, Brazil, Canada, Japan, Norway, Switzerland, the United Kingdom or the United States of America, the European Union or any member state of the European Union on the Issue Date or, in each case, any agency or instrumentality thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), with maturities of twenty-four (24) months or less from the date of acquisition;

(3) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender or by any bank or trust company (a) whose commercial paper is rated at least "A-1" or the equivalent thereof by S&P or at least "P-1" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization); or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €250.0 million;

(4) repurchase obligations for underlying securities of the types described in clauses (2), (3) and (11) entered into with any bank meeting the qualifications specified in clause (3) above;

(5) securities with maturities of one year or less from the date of acquisition backed by standby letters of credit issued by any person referenced in clause (3) above;

(6) readily marketable direct obligations issued by a member state of the European Union, Japan, Australia, Switzerland, Norway, Canada, the United States of America, any State of the United States or the District of Columbia or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P;

(7) commercial paper and variable or fixed rate notes issued by a bank meeting the qualifications specified in clause (3) above (or by the Parent Entity thereof) maturing within one year after the date of creation thereof or any commercial paper and variable or fixed rate note issued by, or guaranteed by a corporation rated at least "A-1" or higher by S&P or "P-1" or higher by Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization selected by the Issuer) maturing within one year after the date of creation thereof;

(8) Indebtedness or preferred stock issued by persons with a rating of "BBB-" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(9) bills of exchange issued in a member state of the European Union, United Kingdom, Norway, Japan, Australia, Switzerland, Canada, the United States of America, any State of the United States or the District of Columbia, eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(10) with respect to a jurisdiction in which the Issuer or a Restricted Subsidiary conducts business or is organized, certificates of deposit, time deposits, recognized time deposits, overnight bank deposits or bankers' acceptances with any bank, trust company or similar entity, which would rank, in terms of combined capital and surplus and undivided profits or the ratings of its long term debt, among the top five (5) banks in such jurisdiction, in an amount not to exceed cash generated in or reasonably required for operations in such jurisdiction;

(11) interests in any investment company, money market, enhanced high yield fund or other investment fund which invests 90% or more of its assets in instruments of the types specified in clauses (1) through (10) above; and

(12) for purposes of clause (2) of the definition of "*Asset Disposition*," the marketable securities portfolio owned by the Issuer and its Subsidiaries on the Issue Date.

"*Cash Management Services*" means any of the following: automated clearing house transactions, treasury, depository, credit or debit card, purchasing card, stored value card, electronic fund transfer services, daylight or overnight draft facilities and/or cash management services, including controlled disbursement services, overdraft facilities, foreign exchange facilities, deposit and other accounts and merchant services or other cash management arrangements in the ordinary course of business or consistent with past practice.

"*Change of Control*" means:

(1) the Issuer becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, being or becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act as in effect on the Issue Date) of more than 50% of the total voting power of the Voting Stock of the Issuer other than in connection with any transaction or series of transactions in which the Issuer shall become the wholly owned subsidiary of a Parent Entity so long as no person or group, as noted above, other than a Permitted Holder, holds more than 50% of the total voting power of the Voting Stock of such Parent Entity; or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, amalgamation, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries taken as a whole to a person, other than a Restricted Subsidiary or one or more Permitted Holders.

Notwithstanding the foregoing, (a) a transaction will not be deemed to involve a Change of Control solely as a result of the Issuer becoming a direct or indirect wholly owned subsidiary of (i) an IPO Entity or (ii) a holding company if (A) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Issuer's Voting Stock immediately prior to that transaction or (B) immediately following that transaction no person (other than a holding company satisfying the requirements of this sentence or a Permitted Holder) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company, (b) a Change of Control shall not be deemed to have occurred as a result of the Target Merger, Delisting Merger or Debt Push Merger, and (c) the right to acquire Voting Stock (so long as such person does not have the right to direct the voting of the Voting Stock subject to such right) or any veto power in connection with the acquisition or disposition of Voting Stock will not cause a party to be a beneficial owner.

"*Change of Control Triggering Event*" means the occurrence of a Change of Control, unless *pro forma* for the Change of Control, the Consolidated Total Net Leverage Ratio is less than 4.50 to 1.00; *provided* that, notwithstanding anything herein to the contrary, when calculating the Consolidated Total Net Leverage Ratio for purposes of this definition, the Issuer shall be entitled, at its option, to have such determinations occur (a) at the time of entry into such definitive agreement, put option or similar arrangement, or (b) at the time of the closing of the acquisition resulting in a Change of Control.

"*Charged Property*" means all of the assets which from time to time are, or are expressed to be, the subject of the Transaction Security, except with respect to the Escrow Agreement, Escrow Charge and Escrow Accounts.

"*Clearstream*" means Clearstream Banking, S.A., or any successor thereof.

"*Consolidated Depreciation and Amortization Expense*" means, with respect to any person for any period, the total amount of depreciation and amortization expense, including amortization or write-off of (i) intangibles and non-cash organization costs, (ii) deferred financing fees or costs and (iii) capitalized expenditures, lease obligations, customer acquisition costs and incentive payments, conversion costs and contract acquisition costs, the amortization of original issue discount resulting from the issuance of Indebtedness at less than par and amortization of favorable or unfavorable lease assets or liabilities, of such person and the Restricted Subsidiaries for such period on a consolidated basis and otherwise determined in accordance with IFRS and any write down of assets or asset value carried on the balance sheet.

"*Consolidated EBITDA*" means, with respect to any person for any period, the Consolidated Net Income of such person for such period:

(1) increased (without duplication) by:

(a) provision for taxes based on income or profits, revenue or capital, including federal, state, provincial, territorial, local, foreign, unitary, excise, property, franchise and similar taxes and foreign withholding and similar taxes of such person paid or accrued during such period, including any penalties and interest relating to any tax examinations (including any additions to such taxes, and any penalties and interest with respect thereto), deducted (and not added back) in computing Consolidated Net Income; *plus*

(b) Fixed Charges of such person for such period (including (x) net losses on any Hedging Obligations or other derivative instruments entered into for the purpose of hedging interest rate, currency or commodities risk, (y) bank fees and (z) costs of surety bonds in connection with financing activities), *plus* amounts excluded from the definition of "Consolidated Interest Expense" pursuant to clauses (1)(I) through (1)(VIII) thereof, in each case, to the extent the same were deducted (and not added back) in calculating such Consolidated Net Income; *plus*

(c) Consolidated Depreciation and Amortization Expense of such person for such period to the extent the same were deducted (and not added back) in computing Consolidated Net Income; *plus*

(d) any (x) Transaction Expenses and (y) any fees, costs, expenses or charges (other than Consolidated Depreciation and Amortization Expense) related to any actual, proposed or contemplated Equity Offering (including any expense relating to enhanced accounting functions or other transactions costs associated with becoming a public company), Permitted Investment, acquisition, disposition, recapitalization or the Incurrence of Indebtedness permitted to be Incurred by the Indenture (including a refinancing thereof) (whether or not successful), in each case, including (i) such fees, expenses or charges (including rating agency fees and related expenses) related to the offering of the Notes, the Revolving Facility, the Guarantee Facility, the Bridge Facility, any other Credit Facility or Public Debt and any Securitization Fees, any Receivables Facility, Securitization Facilities, any other Credit Facility or Public Debt, any Securitization Fees, any other Indebtedness permitted to be Incurred under the Indenture or any Equity Offering, and (ii) any amendment, waiver or other modification of any of the foregoing, in each case, whether or not consummated, to the extent the same were deducted (and not added back) in computing Consolidated Net Income; *plus*

(e) the amount of any (i) loss, charge, accrual or reserve (and adjustments to existing reserves), transaction or integration cost or other business optimization expense or cost (including charges directly related to the implementation of cost-savings initiatives) that is deducted (and not added back) in such period in computing Consolidated Net Income, including any one-time costs Incurred in connection with acquisitions or divestitures after the Issue Date, including those related to any severance, retention, signing bonuses, relocation, recruiting and other employee related costs, internal costs in respect of strategic initiatives and curtailments or modifications to pension and post-retirement employment benefit plans (including any settlement of pension liabilities), operational and technology systems development and establishment costs, future lease commitments and costs related to the opening, pre-opening, abandonment, disposal, discontinuation and closure and/or consolidation of facilities and to exiting lines of business and consulting fees Incurred with any of the foregoing and (ii) fees, costs and expenses associated with acquisition related litigation and settlements thereof; *plus*

(f) any other non-cash charges, write-downs, expenses, losses or items reducing Consolidated Net Income for such period including any impairment charges or the impact of purchase accounting; *provided* that if any such non-cash charge, write-down or item to the extent it represents an accrual or reserve for a cash expenditure for a future period then the cash payment in such future period shall be subtracted from Consolidated EBITDA when paid or other items classified by the Issuer as special items less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period); *plus*

(g) the amount of board of director fees, management, monitoring, advisory, consulting, refinancing, subsequent transaction, advisory and exit fees (including termination fees) and related indemnities and expenses paid or accrued in such period to any member of the Board of Directors of the Issuer, any Permitted Holder or any Affiliate of a Permitted Holder to the extent permitted pursuant to the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*"; *plus*

(h) the "run-rate" synergies, cost savings, restructuring charges and expenses, operating expense reductions, operating improvements or other similar initiatives that are expected (in good faith) to be realized as a result of actions commenced, taken or expected to be taken after the date of any acquisition or other such Investment not prohibited under the Indenture (including the acquisition, opening and/or development of any facility, site or operation), disposition, divestiture, restructuring or the implementation of any synergies, cost savings, restructuring charges and expenses, operating expense reductions, operating improvements or other similar initiatives or, in each case, any related steps (calculated on a *pro forma* basis as though such synergies, cost savings, restructuring charges and expenses, operating expense reductions, operating improvements or other similar initiatives had been realized from the first day of such period and during the entirety of such period), net of the amount of actual benefits realized during such period from such actions; *provided* that (i) such actions are expected (in the good faith determination of the Issuer) to result in synergies, cost savings, operating expense reductions, operating improvements or other similar initiatives, and (ii) no synergies, cost savings, restructuring charges and expenses, operating expense reductions, operating improvements or other similar initiatives shall be added pursuant to this defined term to the extent duplicative of any expenses or charges otherwise added to Consolidated EBITDA, whether through a *pro forma* adjustment or otherwise, for such period (which adjustments, without double counting, may be incremental to *pro forma* adjustments made pursuant to the definition of "*Fixed Charge Coverage Ratio*"); *plus*

(i) the "run-rate" expected synergies, cost savings, operating expense reductions, operating improvements or other similar initiatives related to information and technology systems establishment, modernization or modification, restructuring charges and expenses and synergies related to the Transactions projected by the Issuer in good faith to result from actions with respect to which substantial steps have been, will be, or are expected to be, taken (in the good faith determination of the Issuer), calculated on a *pro forma* basis as though such synergies, cost savings, restructuring charges and expenses, operating expense reductions, operating improvements or other similar initiatives had been realized from the first day of such period and during the entirety of such period, net of the amount of actual benefits realized during such period from such actions, and which adjustments, without double counting, may be incremental to *pro forma* adjustments made pursuant to the definition of "Fixed Charge Coverage Ratio"; *plus*

(j) the amount of loss or discount on sale of Securitization Assets, Receivables Assets and related assets to the Securitization Subsidiary in connection with a Qualified Securitization Financing or Receivables Facility; *plus*

(k) any costs or expense Incurred by the Issuer or a Restricted Subsidiary pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement, any severance agreement or any stock subscription or shareholder agreement, to the extent that such cost or expenses are funded with cash proceeds contributed to the capital of the Issuer or Net Cash Proceeds of an issuance of Capital Stock (other than Disqualified Stock) of the Issuer solely to the extent that such Net Cash Proceeds are excluded from the calculation set forth in clause (c) of the first paragraph under "*—Certain Covenants—Limitation on Restricted Payments*"; *plus*

(l) cash receipts (or any netting arrangements resulting in reduced cash expenditures) not representing Consolidated EBITDA or Consolidated Net Income in any period to the extent non-cash gains relating to such income were deducted in the calculation of Consolidated EBITDA pursuant to clause (2) of this definition for any previous period and not added back; *plus*

(m) any net loss included in the Consolidated Net Income attributable to non-controlling interests; *plus*

(n) realized foreign exchange losses resulting from the impact of foreign currency changes on the valuation of assets or liabilities on the balance sheet of the Issuer and the Restricted Subsidiaries; *plus*

(o) net realized losses from Hedging Obligations or embedded derivatives; *plus*

(p) the amount of any minority interest expense consisting of Subsidiary income attributable to minority equity interests of third parties in any non-wholly owned Subsidiary and any costs and expenses (including all legal, accounting and other professional fees and expenses) related thereto; *plus*

(q) with respect to any joint venture, an amount equal to the proportion of those items described in sub-clauses (a) and (c) above relating to such joint venture corresponding to the Issuer's and the Restricted Subsidiaries' proportionate share of such joint venture's Consolidated Net Income (determined as if such joint venture were a Restricted Subsidiary) to the extent the same was deducted (and not added back) in calculating Consolidated Net Income; *plus*

(r) earn-out and contingent consideration obligations (including to the extent accounted for as bonuses or otherwise) and adjustments thereof and purchase price adjustments; *plus*

(s) any net pension or other post-employment benefit costs representing amortization of unrecognized prior service costs, actuarial losses, including amortization of such amounts arising in prior periods, amortization of the unrecognized net obligation (and loss or cost), and any other items of a similar nature; *plus*

(t) the amount of expenses relating to payments made to option holders of the Issuer or any Parent Entity in connection with, or as a result of, any distribution being made to equityholders of such person or its Parent Entities, which payments are being made to compensate such option holders as though they were equityholders at the time of, and entitled to share in, such distribution, in each case to the extent permitted under the Indenture; *plus*

(u) to the extent not already otherwise included herein, the type of adjustments and add-backs (including anticipated synergies) or costs or expenses (or, in each case, similar items) made in calculating Pro Forma Adjusted EBITDA (or similar items), included in the Offering Memorandum, and/or any adjustments (applied in good faith) contained in a quality of earnings report (prepared in good faith by a nationally or internationally recognized accounting firm) in connection with any acquisition or other Investment that is (i) not prohibited by the Indenture and (ii) actually consummated by the Issuer or any of its Restricted Subsidiaries; *plus*

(v) earn out obligations Incurred in connection with any permitted acquisition or other Investment permitted under the Indenture and paid or accrued during such period; *plus*

(w) losses, charges and expenses related to the pre-opening and opening of new facilities, and start-up period prior to opening, that are operated, or to be operated, by the Issuer or any Restricted Subsidiary; and

(2) decreased (without duplication) by non-cash gains increasing Consolidated Net Income of such person for such period, excluding any non-cash gains to the extent they represent the reversal of an accrual or reserve for a potential cash item that reduced Consolidated EBITDA in any prior period.

For purposes of making the computation of Consolidated EBITDA or any component definition thereof, the Issuer may, at its option, include such *pro forma* adjustments as are consistent with the *pro forma* adjustments set forth in the definition of "Fixed Charge Coverage Ratio" and (without duplication) any other adjustments permitted by the Indenture.

"*Consolidated Interest Expense*" means, with respect to any person for any period, without duplication, the sum of:

(1) consolidated interest expense of such person and its Subsidiaries that are Restricted Subsidiaries for such period (in each case, determined on the basis of IFRS), to the extent such expense was deducted (and not added back) in computing Consolidated Net Income (including (a) amortization of original issue discount or premium resulting from the issuance of Indebtedness at less than par, (b) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers acceptances, (c) non-cash interest payments (but excluding any non-cash interest expense attributable to the movement in the mark to market valuation of any Hedging Obligations or other derivative instruments pursuant to IFRS), (d) the interest component of lease obligations, and (e) net payments, if any, pursuant to interest rate Hedging Obligations with respect to

Indebtedness, and excluding (I) Securitization Fees, (II) penalties and interest relating to taxes (but excluding, for the avoidance of doubt, any Additional Amounts paid with respect to the Notes or the Notes Guarantees), (III) any additional cash interest owing pursuant to any registration rights agreement, (IV) accretion or accrual of discounted liabilities other than Indebtedness, (V) any expense resulting from the discounting of any Indebtedness in connection with the application of recapitalization accounting or purchase accounting in connection with the Transactions or any acquisition, (VI) amortization or write-off of deferred financing fees, debt issuance costs, debt discount or premium, terminated Hedging Obligations and other commissions, financing fees and expenses and original issue discount with respect to Indebtedness borrowed under the Revolving Facility, Guarantee Facility and Bridge Facility and, adjusted to the extent included, to exclude any refunds or similar credits received in connection with the purchasing or procurement of goods or services under any purchasing card or similar program, (VII) any expensing of bridge, commitment and other financing fees, (VIII) interest with respect to Indebtedness of any parent of such person appearing upon the balance sheet of such person solely by reason of push-down accounting under IFRS, and (IX) Subordinated Shareholder Funding); *plus*

(2) consolidated capitalized interest of such person and its Subsidiaries that are Restricted Subsidiaries for such period, whether paid or accrued (but excluding any interest capitalized, accrued, accreted or paid in respect of Subordinated Shareholder Funding); *less*

(3) interest income for such period,

provided that, for purposes of this definition, interest on a lease (including any Capitalized Lease Obligation) shall be deemed to accrue at an interest rate reasonably determined by such person to be the rate of interest implicit in such lease in accordance with IFRS.

"*Consolidated Net Income*" means, with respect to any person for any period, the net income (loss) of such person and its Subsidiaries that are Restricted Subsidiaries for such period determined on a consolidated basis on the basis of IFRS after any reduction in respect of Preferred Stock dividends; *provided* that there will not be included in such Consolidated Net Income:

(1) any net income (loss) of any person if such person is not a Restricted Subsidiary (including any net income (loss) from Investments recorded in such person under the equity method of accounting), except that the Issuer's equity in the net income of any such person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that (as reasonably determined by an Officer of the Issuer) could have been distributed by such person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below); *provided* that, for the purposes of clause (c) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," such dividend, other distribution or return on investment does not reduce the amount of Investments outstanding under the definition of "Permitted Investments";

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments,*" any net income (loss) of any Restricted Subsidiary (other than the Issuer and the Guarantors) if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer or a Guarantor by operation of the terms of such Restricted Subsidiary's articles, charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to any Transaction Documents or Debt Documents (as defined in the Intercreditor Agreement) and (c) restrictions specified in clause (12)(a) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*") except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);

(3) any gain (or loss), together with any related provisions for taxes on any such gain (or the tax effect of any such loss), realized upon the sale or other disposition of any asset (including pursuant to any Sale and Leaseback Transaction) or disposed or discontinued operations of the Issuer or any Restricted Subsidiaries which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Issuer);

(4) any extraordinary, exceptional, unusual or nonrecurring gain, loss, charge or expense, including Transaction Expenses or any charges, expenses or reserves in respect of any restructuring, redundancy or severance expense or relocation costs, one-time compensation charges, integration and facilities' opening costs and other business optimization expenses and operating improvements (including related to new product introductions and the build-out, renovation and expansion of facilities), systems development and establishment costs, accruals or reserves (including restructuring and integration costs related to acquisitions after the Issue Date and adjustments to existing reserves), whether or not classified as restructuring expense on the consolidated financial statements, signing costs, retention or completion bonuses, transition costs, costs related to closure/consolidation of facilities, internal costs in respect of strategic initiatives and curtailments or modifications to pension and post-retirement employee benefit plans (including any settlement of pension liabilities), litigation or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events), contract terminations and professional and consulting fees Incurred with any of the foregoing;

(5) the cumulative adverse effect of a change in law, regulation or accounting principles, including any impact resulting from an election by the Issuer to apply GAAP at any time following the Issue Date;

(6) any (i) non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions or on the re-valuation of any benefit plan obligation and (ii) income (loss) attributable to deferred compensation plans or trusts;

(7) all deferred financing costs written off and premiums paid or other expenses Incurred directly in connection with any early extinguishment of Indebtedness (including Hedging Obligations) and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of any Hedging Obligations or other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value of changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of any Hedging Obligations;

(9) any fees, charges and expenses (including any transaction or retention bonus or similar payment) Incurred during such period, or any amortization thereof for such period, in connection with any acquisition, Investment, reorganization, restructuring, disposition of assets or securities, issuance or repayment of Indebtedness, issuance of Capital Stock, refinancing transaction or amendment or modification of any debt instrument (in each case, including any such transaction consummated prior to the Issue Date, and any such transaction undertaken but not completed) and any charges or non-recurring merger costs Incurred during such period as a result of any such transaction, in each case whether or not successful;

(10) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any person denominated in a currency other than the functional currency of such person, and any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;

(11) any unrealized or realized gain or loss due solely to fluctuations in currency values and the related tax effects, determined in accordance with IFRS;

(12) any recapitalization accounting or purchase accounting effects, including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenue in component amounts required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to the Issuer and the Restricted Subsidiaries), as a result of any consummated acquisition (including the Transactions), or the amortization or write-off of any amounts thereof (including any write-off of in process research and development);

(13) any impairment charge, write-off or write-down, including impairment charges, write-offs or write-downs related to intangible assets, long-lived assets, goodwill, investments in debt or equity securities (including any losses with respect to the foregoing in bankruptcy, insolvency or similar proceedings) and the amortization of intangibles arising pursuant to IFRS;

(14) any effect of income (loss) from the early extinguishment or cancellation of Indebtedness or any Hedging Obligations or other derivative instruments;

(15) accruals and reserves that are established or adjusted (including any adjustment of estimated payouts on existing earn-outs) that are so required to be established as a result of the Transactions in accordance with IFRS, or changes as a result of adoption or modification of accounting policies;

(16) any costs associated with the Transactions;

(17) any non-cash expenses, accruals or reserves related to adjustments to historical tax exposures and any deferred tax expense associated with tax deductions or net operating losses arising as a result of the Transactions, or the release of any valuation allowances related to such item;

(18) any effects of adjustments to accruals and reserves during a period relating to any change in the methodology of calculating reserves for returns, rebates and other chargebacks (including government program rebates);

(19) any net gain (or loss) from disposed, ceased, abandoned or discontinued operations and services and any net gain (or loss) on disposal of disposed, discontinued, ceased or abandoned operations; and

(20) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding,

provided that, in addition, to the extent not already included in the Consolidated Net Income of such person and its Subsidiaries that are Restricted Subsidiaries, notwithstanding anything to the contrary in the foregoing, Consolidated Net Income shall include (i) any expenses and charges that are reimbursed by indemnification or other reimbursement provisions in connection with any investment or any sale, conveyance, transfer or other disposition of assets permitted hereunder, or, so long as the Issuer has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed and only to the extent that such amount is (A) not denied by the applicable payor in writing within 180 days and (B) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days) and (ii) to the extent covered by insurance (including business interruption insurance) and actually reimbursed, or, so long as the Issuer has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is (A) not denied by the applicable carrier in writing within 180 days and (B) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days), expenses with respect to liability or casualty events or business interruption.

"*Consolidated Senior Secured Net Leverage Ratio*" means,:

(a) prior to a Delisting, as of any date of determination, the ratio of:

(i) the sum of:

(A) Senior Secured Indebtedness of the Issuer and the Restricted Subsidiaries (excluding the Target and the Target Restricted Subsidiaries) as of such date, excluding any On-Lent Debt;

(B) Consolidated Total Indebtedness (for the avoidance of doubt, including any Indebtedness of the Target in connection with on-loan of the proceeds of the On-Lent Debt) of the Target and the Target Restricted Subsidiaries multiplied by the Target Hold; and

(C) the Reserved Indebtedness Amount in respect of Indebtedness which, once Incurred, will constitute Senior Secured Indebtedness (with such Reserved Indebtedness Amount calculated in accordance with (A) and (B) above and assuming the proceeds of the committed On-Lent Debt has been on-lent),

less the aggregate amount of cash, Cash Equivalents (which may include any cash that collateralizes guarantee or letter of credit facilities of the Issuer or any Restricted Subsidiary), Temporary Cash Investments and Investment Grade Securities of the Issuer and the Restricted Subsidiaries on a consolidated basis (but excluding the aggregate amount invested in the Issuer by way of an Equity Contribution as described in the "*Use of Proceeds*" section of this Offering Memorandum or from proceeds of Notes), to

(ii) LTM EBITDA multiplied by the Target Hold,

in each case, *provided* that the Issuer may include at its option such *pro forma* adjustments as are consistent with the *pro forma* adjustments set forth in the definition of "Fixed Charge Coverage Ratio" and (without duplication) any other *pro forma* adjustments permitted by the Indenture and *further provided* that the *pro forma* calculation shall not give effect to any Indebtedness Incurred on such determination date pursuant to the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (other than Indebtedness Incurred pursuant to clauses (1)(b), (5)(i)(III), (5)(ii)(III) and (20) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (but solely to the extent of Available RP Capacity Amount deriving from clause (17)(ii) of the third paragraph of the covenant described under "*—Certain Covenants—Limitations on Restricted Payments*")), or

(b) following a Delisting, as of any date of determination, the ratio of:

(i) the sum of:

(A) Senior Secured Indebtedness as of such date; and

(B) the Reserved Indebtedness Amount in respect of Indebtedness which, once Incurred, will constitute Senior Secured Indebtedness,

less the aggregate amount of cash, Cash Equivalents (which may include any cash that collateralizes guarantee or letter of credit facilities of the Issuer or any Restricted Subsidiary), Temporary Cash Investments and Investment Grade Securities of the Issuer and the Restricted Subsidiaries on a consolidated basis (but excluding the aggregate amount invested in the Issuer by way of an Equity Contribution as described in the "*Use of Proceeds*" section of this Offering Memorandum or from proceeds of the Notes), to

(ii) LTM EBITDA,

in each case, *provided* that the Issuer may include at its option such *pro forma* adjustments as are consistent with the *pro forma* adjustments set forth in the definition of "Fixed Charge Coverage Ratio" and (without duplication) any other *pro forma* adjustments permitted by the Indenture and *further provided that* the *pro forma* calculation shall not give effect to any Indebtedness Incurred on such determination date pursuant to the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (other than Indebtedness Incurred pursuant to clauses (1)(b), (5)(i)(III), (5)(ii)(III) and (20) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (but solely to the extent of available Available RP Capacity Amount deriving from clause (17)(ii) of the third paragraph of the covenant described under "*—Certain Covenants—Limitations on Restricted Payments*")).

"*Consolidated Total Indebtedness*" means, as of any date of determination, the aggregate principal amount of Indebtedness for borrowed money and Capitalized Lease Obligations, but excluding any Indebtedness under or with respect to Cash Management Services, intercompany Indebtedness of the Group, Hedging Obligations, Receivables Facilities and Securitization Facilities.

"*Consolidated Total Net Leverage Ratio*" means:

(a) prior to a Delisting, as of any date of determination, the ratio of:

(i) the sum of:

(A) Consolidated Total Indebtedness of the Issuer and the Restricted Subsidiaries (excluding the Target and the Target Restricted Subsidiaries) as of such date, excluding any On-Lent Debt;

(B) Consolidated Total Indebtedness (for the avoidance of doubt, including any Indebtedness of the Target in connection with on-loan of the proceeds of the On-Lent Debt) of the Target and the Target Restricted Subsidiaries multiplied by the Target Hold; and

(C) the Reserved Indebtedness Amount in respect of Indebtedness which, once Incurred, would be included in the calculation of Consolidated Total Secured Indebtedness (with such Reserved Indebtedness Amount calculated in accordance with (A) and (B) above and assuming the proceeds of the committed On-Lent Debt has been on-lent),

less the aggregate amount of cash, Cash Equivalents (which may include any cash that collateralizes guarantee or letter of credit facilities of the Issuer or any Restricted Subsidiary), Temporary Cash Investments and Investment Grade Securities of the Issuer and the Restricted Subsidiaries on a consolidated basis (but excluding the aggregate amount invested in the Issuer by way of an Equity Contribution as described in the "*Use of Proceeds*" section of this Offering Memorandum or from proceeds of the Notes); to

(ii) LTM EBITDA multiplied by the Target Hold,

in each case, *provided that* the Issuer may include at its option such pro forma adjustments as are consistent with the pro forma adjustments set forth in the definition of "*Fixed Charge Coverage Ratio*" and (without duplication) any other pro forma adjustments permitted by the Indenture and *further provided that* the *pro forma* calculation shall not give effect to any Indebtedness Incurred on such determination date pursuant to the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (other than Indebtedness Incurred pursuant to clauses (1)(b), (1)(c), (1)(d), (5) and (20) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (but solely to the extent of available Available RP Capacity Amount deriving from clause (17)(ii) of the third paragraph of the covenant described under "*—Certain Covenants—Limitations on Restricted Payments*")), or

(b) following a Delisting, as of any date of determination, the ratio of:

(i) the sum of:

(A) Consolidated Total Indebtedness as of such date; and

(B) the Reserved Indebtedness Amount in respect of Indebtedness which, once Incurred, would be included in the calculation of Consolidated Total Secured Indebtedness,

less the aggregate amount of cash, Cash Equivalents (which may include any cash that collateralizes guarantee or letter of credit facilities of the Issuer or any Restricted Subsidiary), Temporary Cash Investments and Investment Grade Securities of the Issuer and the Restricted Subsidiaries on a consolidated basis (but excluding the aggregate amount invested in the Issuer by way of an Equity Contribution as described in the "*Use of Proceeds*" section of this Offering Memorandum or from proceeds of the Notes); to

(ii) LTM EBITDA,

in each case, *provided that* the Issuer may include at its option such pro forma adjustments as are consistent with the *pro forma* adjustments set forth in the definition of "*Fixed Charge Coverage Ratio*" and (without duplication) any other pro forma adjustments permitted by the Indenture and *further provided that* the *pro forma* calculation shall not give effect to any Indebtedness Incurred on such determination date pursuant to the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (other than Indebtedness Incurred pursuant to clauses (1)(b), (1)(c), (1)(d), (5) and (20) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (but solely to the extent of available Available RP Capacity Amount deriving from clause (17)(ii) of the third paragraph of the covenant described under "*—Certain Covenants—Limitations on Restricted Payments*")).

"*Consolidated Total Secured Indebtedness*" means, as of any date of determination, the aggregate principal amount of Indebtedness for borrowed money secured on the Charged Property by a Permitted Collateral Lien, but excluding any Indebtedness under or with respect to Cash Management Services, intercompany Indebtedness of the Group, Hedging Obligations, Receivables Facilities, Securitization Facilities or Capitalized Lease Obligations (to the extent not secured on the Charged Property) *plus*, prior to a Delisting, all Indebtedness of the Target and the Target Restricted Subsidiaries (whether secured or unsecured) excluding any Indebtedness under Capitalized Lease Obligations (to the extent not secured on the Charged Property).

"*Consolidated Total Secured Net Leverage Ratio*" means:

(a) prior to a Delisting, as of any date of determination, the ratio of:

(i) the sum of:

(A) Consolidated Total Secured Indebtedness of the Issuer and the Restricted Subsidiaries (excluding the Target and the Target Restricted Subsidiaries) as of such date, excluding any On-Lent Debt;

(B) Consolidated Total Secured Indebtedness (for the avoidance of doubt, including any Indebtedness of the Target in connection with on-loan of the proceeds of the On-Lent Debt) of the Target and the Target Restricted Subsidiaries multiplied by the Target Hold; and

(C) the Reserved Indebtedness Amount in respect of Indebtedness which, once Incurred, would be included in the calculation of Consolidated Total Secured Indebtedness (with such Reserved Indebtedness Amount calculated in accordance with (A) and (B) above and assuming the proceeds of the committed On-Lent Debt has been on-lent),

less the aggregate amount of cash, Cash Equivalents (which may include any cash that collateralizes guarantee or letter of credit facilities of the Issuer or any Restricted Subsidiary), Temporary Cash Investments and Investment Grade Securities of the Issuer and the Restricted Subsidiaries on a consolidated basis (but excluding the aggregate amount invested in the Issuer by way of an Equity Contribution as described in the "*Use of Proceeds*" section of this Offering Memorandum or from proceeds of the Notes), to

(ii) LTM EBITDA multiplied by the Target Hold,

in each case, *provided that* the Issuer may include at its option such *pro forma* adjustments as are consistent with the *pro forma* adjustments set forth in the definition of "*Fixed Charge Coverage Ratio*" and (without duplication) any other pro forma adjustments permitted by the Indenture and *further provided that* the *pro forma* calculation shall not give effect to any Indebtedness Incurred on such determination date pursuant to the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (other than Indebtedness Incurred pursuant to clauses (1)(b), (1)(c), (1)(d), (5) and (20) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (but solely to the extent of available Available RP Capacity Amount deriving from clause (17)(ii) of the third paragraph of the covenant described under "*—Certain Covenants—Limitations on Restricted Payments*")), or

(b) following a Delisting, as of any date of determination, the ratio of:

(i) the sum of:

(A) Consolidated Total Secured Indebtedness as of such date; and

(B) the Reserved Indebtedness Amount in respect of Indebtedness which, once Incurred, would be included in the calculation of Consolidated Total Secured Indebtedness,

less the aggregate amount of cash, Cash Equivalents (which may include any cash that collateralizes guarantee or letter of credit facilities of the Issuer or any Restricted Subsidiary), Temporary Cash Investments and Investment Grade Securities of the Issuer and the Restricted Subsidiaries on a consolidated basis (but excluding the aggregate amount invested in the Issuer by way of an Equity Contribution as described in the "*Use of Proceeds*" section of this Offering Memorandum or from proceeds of the Notes); to

(ii) LTM EBITDA,

in each case, *provided that* the Issuer may include at its option such pro forma adjustments as are consistent with the pro forma adjustments set forth in the definition of "*Fixed Charge Coverage Ratio*" and (without duplication) any other *pro forma* adjustments permitted by the Indenture and *further provided that* the *pro forma* calculation shall not give effect to any Indebtedness Incurred on such determination date pursuant to the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (other than Indebtedness Incurred pursuant to clauses (1)(b), (1)(c), (1)(d), (5) and (20) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (but solely to the extent of available Available RP Capacity Amount deriving from clause (17)(ii) of the third paragraph of the covenant described under "*—Certain Covenants—Limitations on Restricted Payments*")).

"*Contingent Obligations*" means, with respect to any person, any obligation of such person guaranteeing in any manner, whether directly or indirectly, any lease, dividend or other obligation that does not constitute Indebtedness ("*primary obligations*") of any other person (the "*primary obligor*"), including any obligation of such person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

   (a) for the purchase or payment of any such primary obligation; or

   (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Controlled Investment Affiliate*" means, as to any person, any other person, which directly or indirectly is in control of, is controlled by, or is under common control with such person and is organized by such person (or any person controlling such person) primarily for making direct or indirect equity or debt investments in the Issuer and/or other companies.

"*Credit Facility*" means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, indentures, instruments, or other arrangements (including the Revolving Facility, the Guarantee Facility, the Bridge Facility or commercial paper facilities and overdraft facilities) with banks, other financial institutions, funds, governmental or quasi-governmental agencies or investors providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions and whether provided under the Revolving Facility, the Guarantee Facility, the Bridge Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Debt Push Merger*" means the merger of the Delisting MergerCo and the Issuer on terms complying with Articles 2501-bis (*et seq.*) of the Italian Civil Code as soon as reasonably practicable, following completion of the Delisting Merger.

"*Debt Push MergerCo*" means the surviving entity of the Debt Push Merger.

"*Default*" means an Event of Default or any event or circumstance specified under "*—Events of Default*" which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Notes Documents or any combination of any of the foregoing) be an Event of Default.

"*Delisting*" means the day on which the shares of the Target are delisted from the Mercato Telematico Azionario organized and managed by Borsa Italiana S.p.A.

"*Delisting Merger*" means the merger of BidCo and the Target on terms complying with Articles 2501 (*et seq.*) of the Italian Civil Code.

"*Delisting MergerCo*" means the surviving entity of the Delisting Merger.

"*Derivative Instrument*" with respect to a person, means any contract, instrument or other right to receive payment or delivery of cash or other assets to which such person or any Affiliate of such person that is acting in concert with such person in connection with such person's investment in the Notes (other than a Screened Affiliate) is a party (whether or not requiring further performance by such person), the value and/or cash flows of which (or any material portion thereof) are materially affected by the value and/or performance of the Notes and/or the creditworthiness of the Issuer and/or any one or more of the Guarantors (the "*Performance References*").

"*Designated Non-Cash Consideration*" means the fair market value (as determined in good faith by the Issuer or any Restricted Subsidiary) of non-cash consideration received by the Issuer or any of the Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock.*"

"*Designated Preferred Stock*" means Preferred Stock of the Issuer or a Parent Entity (other than Disqualified Stock) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and that is designated as "Designated Preferred Stock" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(iii) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*."

"*Disinterested Director*" means, with respect to any Affiliate Transaction, a member of the Board of Directors having no material direct or indirect financial interest in or with respect to such Affiliate Transaction. A member of the Board of Directors shall be deemed not to have such a financial interest by reason of such member's holding Capital Stock of the Issuer or any options, warrants or other rights in respect of such Capital Stock.

"*Disqualified Stock*" means, with respect to any person, any Capital Stock of such person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(1) matures or is mandatorily redeemable for cash or in exchange for Indebtedness pursuant to a sinking fund obligation or otherwise; or

(2) is or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or repurchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior to the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding; *provided* that (i) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock and (ii) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant person with the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*"; *provided further* that if such Capital Stock is issued to any future, current or former employee, director, officer, contractor or consultant (or their respective Controlled Investment Affiliates (excluding the Permitted Holders (but not excluding any future, current or former employee, director, officer, contractor or consultant) or Immediate Family Members)), of the Issuer, any of its Subsidiaries, any Parent Entity or any other entity in which the Issuer or a Restricted Subsidiary has an Investment and is designated in good faith as an "affiliate" by the Board of Directors (or the compensation committee thereof) or any other plan for the benefit of current, former or future employees (or their respective Controlled Investment Affiliates or Immediate Family Members) of the Issuer or its Subsidiaries or by any such plan to such employees (or their respective Controlled Investment Affiliates or Immediate Family Members), such Capital Stock shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Issuer or its Subsidiaries in order to satisfy applicable statutory, contractual or regulatory obligations.

"*Equity Contribution*" means contributions (by way of cash, equity interests contributed or the sale or issuance of equity interests or Subordinated Shareholder Funding or otherwise) to the Issuer or any of the Restricted Subsidiaries made, either directly or indirectly, by the Initial Investors or Management Stockholders, as the case may be, to the extent used to consummate the Transactions.

"*Equity Documents*" means the constitutional documents and any other document designated in writing as an "Equity Document" by the Issuer and the Trustee.

"*Equity Offering*" means (x) a sale of Capital Stock of the Issuer (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions), or (y) the sale of Capital Stock or other securities by any person, the proceeds of which are contributed to the equity of the Issuer or any of the Restricted Subsidiaries by any Parent Entity in any form other than Indebtedness, Excluded Contributions, Equity Contributions or Excluded Amounts.

"*Escrowed Proceeds*" means the proceeds from the offering or incurrence of any debt securities or other Indebtedness paid into an escrow account with an independent escrow agent on the date of the applicable offering or Incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events; *provided* that the term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"*Euro*" or "*€*" means the single currency of participating member states of the economic and monetary union as contemplated in the Treaty on European Union.

"*Euroclear*" means Euroclear Bank SA/NV or any successor thereof.

"*European Government Obligations*" means any security denominated in Euro that is (1) a direct obligation of any country that is a member of the European Monetary Union and whose long-term debt is rated "A-1" or higher by Moody's or "A+" or higher by S&P or the equivalent rating category of another Nationally Recognized Statistical Rating Organization on the date of the Indenture, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the Issuer thereof.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Excluded Contribution*" means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preferred Stock, Equity Contributions or Excluded Amounts) of the Issuer after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of their employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preferred Stock or Subordinated Shareholder Funding of the Issuer, Equity Contributions or Excluded Amounts), in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

"*fair market value*" wherever such term is used in this "*Description of the Notes*" or the Indenture (except as otherwise specifically provided in this "*Description of the Notes*" or the Indenture), may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or Board of Directors in good faith.

"*Fitch*" means Fitch Ratings, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Fixed Charge Coverage Ratio*" means:

(a) prior to a Delisting, with respect to the Issuer and the Restricted Subsidiaries on any determination date, the ratio of: (i) LTM EBITDA multiplied by the Target Hold; to (ii) the sum of: (A) Fixed Charges of the Issuer and the Restricted Subsidiaries (excluding any Fixed Charges of the Target and the Target Restricted Subsidiaries) as of such date, excluding any Fixed Charges arising in connection with On-Lent Debt; and (B) Fixed Charges (excluding any Fixed Charges paid or payable to the Issuer or its Restricted Subsidiaries, but for the avoidance of doubt, including any Fixed Charges of the Target in connection with on-loan of the proceeds of the On-Lent Debt) of the Target and the Target Restricted Subsidiaries as of such date, multiplied by the Target Hold; or

(b) following a Delisting with respect to any person on any determination date, the ratio of LTM EBITDA to the Fixed Charges of such person for the Relevant Testing Period.

In the event that the Issuer or any Restricted Subsidiary Incurs, assumes, Guarantees, redeems, defeases, retires, extinguishes or otherwise discharges any Indebtedness (other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or has caused any Reserved Indebtedness Amount to be deemed to be Incurred or issues or redeems Disqualified Stock or Preferred Stock, in each case, subsequent to the commencement of the Relevant Testing Period but prior to or simultaneously with the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "*Fixed Charge Coverage Ratio Calculation Date*"), then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect to such Incurrence, deemed Incurrence, assumption, Guarantee, redemption, defeasance, retirement, extinguishment or other discharge of Indebtedness, or such issuance or redemption of Disqualified Stock or Preferred Stock, as if the same had occurred at the beginning of the Relevant Testing Period; *provided* that the *pro forma* calculation shall not give effect to any Fixed Charges attributable to Indebtedness Incurred on the Fixed Charge Coverage Ratio Calculation Date pursuant to the covenant described in the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*" (other than Indebtedness Incurred pursuant to clauses (1)(b), (1)(c), (1)(d) and (5) of the second paragraph thereof).

For purposes of making the computation referred to above, any permitted acquisitions, Investments, acquisitions, dispositions, mergers, amalgamations, consolidations and disposed or discontinued operations that have been made by the Issuer or any of the Restricted Subsidiaries, during the Relevant Testing Period or subsequent to the Relevant Testing Period and on or prior to or simultaneously with the Fixed Charge Coverage Ratio Calculation Date shall be calculated on a *pro forma* basis assuming that all such permitted acquisitions, Investments, acquisitions, dispositions, mergers, amalgamations, consolidations and disposed or discontinued operations (and the change in any associated fixed charge obligations and the change in LTM EBITDA resulting therefrom) had occurred on the first day of the Relevant Testing Period. If since the beginning of such period any person that subsequently became a Restricted Subsidiary or was merged or amalgamated with or into the Issuer or any of the Restricted Subsidiaries since the beginning of such period shall have made any Investment, acquisition, disposition, merger, amalgamation, consolidation or disposed or discontinued operation that would have required adjustment pursuant to this definition, then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect thereto for such period as if such Investment, acquisition, disposition, merger, amalgamation, consolidation, disposed or discontinued operation had occurred at the beginning of the Relevant Testing Period.

For purposes of this definition, whenever *pro forma* effect is to be given to a transaction, the *pro forma* calculations shall be made in good faith by a responsible financial or chief accounting officer of the Issuer and may include cost savings, expense reductions and synergies, including (but not limited to) from the result of a disposition or ceased or discontinued operations, as though such cost savings, expense reduction and synergies had been achieved on the first day of the Relevant Testing Period. If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated, at the Issuer's option, either (x) as if the rate in effect on the determination date had been the applicable rate for the entire Relevant Testing Period or (y) using the average rate in effect over the Relevant Testing Period, in each case taking into account any Hedging

Obligations applicable to such Indebtedness. Interest on a lease (including any Capitalized Lease Obligation) shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed with a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the Relevant Testing Period except to the extent such revolving credit facility has been permanently repaid and the commitments thereunder cancelled. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be determined to have been based upon the rate actually chosen, or if none, then based upon such optional rate chosen as the Issuer may designate.

"*Fixed Charges*" means, with respect to any person for any period, the sum of:

(1) Consolidated Interest Expense of such person for such period;

(2) all-cash dividends or other distributions paid (excluding items eliminated in consolidation) on any series of Preferred Stock of any Restricted Subsidiary of such person during such period; and

(3) all-cash dividends or other distributions paid (excluding items eliminated in consolidation) on any series of Disqualified Stock during this period.

"*GAAP*" means generally accepted accounting principles in the United States of America.

"*Guarantee*" means, any obligation, contingent or otherwise, of any person directly or indirectly guaranteeing any Indebtedness of any other person, including any such obligation, direct or indirect, contingent or otherwise, of such person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, that the term "Guarantee" will not include (x) endorsements for collection or deposit in the ordinary course of business or consistent with past practice and (y) standard contractual indemnities or product warranties provided in the ordinary course of business, and *provided further* that the amount of any Guarantee shall be deemed to be the lower of (i) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee is made and (ii) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee or, if such Guarantee is not an unconditional guarantee of the entire amount of the primary obligation and such maximum amount is not stated or determinable, the amount of such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by such person in good faith. The term "Guarantee" used as a verb has a corresponding meaning.

"*Guarantee Facility*" means a €250 million bank guarantee facility available to the Target and/or any of the Target Restricted Subsidiaries pursuant to the Guarantee Facility Agreement.

"*Guarantee Facility Agreement*" means the super senior guarantee facilities agreement dated November 17, 2020 made by and among, *inter alios*, the Issuer, the other borrowers party thereto, the guarantors from time to time party thereto, UniCredit S.p.A., as original fronting issuing bank and agent, Lucid Trustee Services Limited as security agent, and each lender from time to time party thereto, together with the related documents thereto (including any letters of credit and reimbursement obligations related thereto, any Guarantees and security documents), as amended, extended, renewed, restated, refunded, replaced, refinanced, supplemented, modified or otherwise changed (in whole or in part, and without limitation as to amount, terms, conditions, covenants and other provisions) from time to time, that provides for bank guarantees issued in respect of projects, transactions or other contractual obligations entered into in the ordinary course of business of the

Target and/or any of the Target Restricted Subsidiaries (where, for the avoidance of doubt, any such instruments may be drawn under the Guarantee Facility directly in favor of beneficiaries or indirectly in favor of beneficiaries (by way of "back-to-back" or equivalent arrangements)) provided that each such bank guarantee covers liabilities in relation to advance payments, performance of contracts, leases, warranties, sureties, bidding processes or other obligations in ordinary course of business, in each case where the instrument itself or the underlying obligation to which it relates does not constitute Indebtedness (including payment obligations in relation to an acquisition, investments, capital expenditures, or to counter-indemnify any local facility provided by a branch or affiliate of a lender under the Guarantee Facility or any other person to the Target and/or any of the Target Restricted Subsidiaries provided that such local facility is used solely by the Target and/or any the Target Restricted Subsidiaries to issue bank guarantees as permitted to be issued pursuant to the terms of the Guarantee Facility Agreement).

"*Guarantor*" means any Restricted Subsidiary that provides a Notes Guarantee, until such Notes Guarantee is released in accordance with the terms of the Indenture.

"*Hedging Obligations*" means, with respect to any person, the obligations of such person under any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, commodity swap agreement, commodity cap agreement, commodity collar agreement, foreign exchange contracts, currency swap agreement or similar agreement providing for the transfer or mitigation of interest rate, commodity price or currency risks either generally or under specific contingencies.

"*Holder*" means each person in whose name the Notes are registered on the Registrar's books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

"*Holding Company*" means, in relation to a company, corporation or any other entity, any other company, corporation or entity in respect of which it is a Subsidiary.

"*IFRS*" means International Financial Reporting Standards (formerly International Accounting Standards) endorsed from time to time by the European Union or any variation thereof with which the Issuer or any of the Restricted Subsidiaries are, or may be, required to comply, as in effect on the Issue Date or, with respect to the covenant described under "*—Certain Covenants—Reports*," as in effect from time to time. Except as otherwise set forth in the Indenture, all ratios and calculations based on IFRS (or, as applicable, GAAP) contained in the Indenture shall be computed in accordance with IFRS as in effect on the Issue Date (or, as applicable, GAAP as in effect at the date specified by the Issuer in its election to adopt GAAP in accordance with this paragraph). At any time after the Issue Date, the Issuer may elect to implement any new measures or other changes to IFRS (or, as applicable, GAAP) in effect on or prior to the date of such election. At any time after the Issue Date, the Issuer may elect to apply GAAP accounting principles in lieu of IFRS and, upon any such election, references herein to IFRS shall thereafter be construed to mean GAAP (except as otherwise provided in the Indenture), including as to the ability of the Issuer to make an election pursuant to the previous sentence; *provided further* that any calculation or determination in the Indenture that requires the application of IFRS for periods that include fiscal quarters ended prior to the Issuer's election to apply GAAP shall remain as previously calculated or determined in accordance with IFRS; *provided* that the Issuer may only make such election if it also elects to report any subsequent financial reports required to be made by the Issuer. The Issuer shall give notice of any such election made in accordance with this definition to the Trustee and the Holders.

"*Immaterial Subsidiary*" means, at any date of determination, each Restricted Subsidiary that (i) has not Guaranteed any other Indebtedness of the Issuer and (ii) has LTM EBITDA of less than 5.0% of LTM EBITDA of the Issuer and the Restricted Subsidiaries taken as a whole, in each case, measured at the end of the Relevant Testing Period and revenues on a *pro forma* basis giving effect to any acquisitions or dispositions of companies, division or lines of business since such balance sheet date or the start of such Relevant Testing Period, as applicable, and on or prior to the date of acquisition of such Subsidiary.

"*Immediate Family Members*" means, with respect to any individual, such individual's child, stepchild, grandchild or more remote descendant, parent, stepparent, grandparent, spouse, former spouse, qualified domestic partner, sibling, mother-in-law, father-in-law, son-in-law and daughter-in-law (including adoptive relationships) and any trust, partnership or other bona fide estate-planning vehicle the only beneficiaries of which are any of the foregoing individuals or any private foundation or fund that is controlled by any of the foregoing individuals or any donor-advised fund of which any such individual is the donor.

"*Incur*" means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for; *provided* that any Indebtedness or Capital Stock of a person existing at the time such person becomes a Restricted Subsidiary (whether by merger, amalgamation, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit, bridge or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder, subject to the definition of Reserved Indebtedness Amount and related provisions.

"*Indebtedness*" means, with respect to any person on any date of determination (without duplication):

(1) the principal of indebtedness of such person for borrowed money;

(2) the principal of obligations of such person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments *plus* the aggregate amount of drawings thereunder that have not been reimbursed) (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of Incurrence);

(4) the principal component of all obligations of such person to pay the deferred and unpaid purchase price of property (except trade payables or similar obligation, including accrued expenses owed, to a trade creditor), which purchase price is due more than one (1) year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such person;

(6) the principal component of all obligations, or liquidation preference, of such person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other persons secured by a Lien on any asset of such person, whether or not such Indebtedness is assumed by such person; *provided* that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Issuer) and (b) the amount of such Indebtedness of such other persons;

(8) Guarantees by such person of the principal component of Indebtedness of the type referred to in clauses (1), (2), (3), (4), (5) and (9) of this definition of other persons to the extent Guaranteed by such person; and

(9) to the extent not otherwise included in this definition, net obligations of such person under Hedging Obligations (the amount of any such obligations to be equal at any time to the net payments under such agreement or arrangement giving rise to such obligation that would be payable by such person at the termination of such agreement or arrangement),

with respect to clauses (1), (2), (4) and (5) above, if and to the extent that any of the foregoing Indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of such person prepared in accordance with IFRS; *provided* that Indebtedness of any Parent Entity appearing upon the balance sheet of the Issuer prepared on the basis of IFRS shall be excluded.

The amount of Indebtedness of any person at any time under any revolving credit facility or other Credit Facility available to be redrawn (including the Revolving Facility, the Guarantee Facility and the Bridge Facility) shall be the total amount of cash funds borrowed and then outstanding. The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount of Indebtedness, or liquidation preference thereof, in the case of any other Indebtedness.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(i) Contingent Obligations Incurred in the ordinary course of business or consistent with past practice, other than Guarantees or other assumptions of Indebtedness;

(ii) Cash Management Services;

(iii) any prepayments of deposits received from clients or customers in the ordinary course of business or consistent with past practice;

(iv) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business or consistent with past practice;

(v) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business or any other permitted acquisition, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided* that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid in a timely manner;

(vi) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;

(vii) obligations under or in respect of Qualified Securitization Financings;

(viii) Indebtedness of any Parent Entity appearing on the balance sheet of the Issuer solely by reason of push down accounting under IFRS;

(ix) Capital Stock (other than Disqualified Stock of the Issuer and Preferred Stock of a Restricted Subsidiary);

(x) amounts owed to dissenting stockholders pursuant to applicable law (including in connection with, or as a result of, exercise of appraisal rights and the settlement of any claims or action (whether actual, contingent or potential)), pursuant to or in connection with a consolidation, merger or transfer of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries, taken as a whole, that complies with the covenant described under "*—Certain Covenants—Merger and Consolidation*";

(xi) Subordinated Shareholder Funding;

(xii) indebtedness of the Issuer or any of the Restricted Subsidiaries arising pursuant to any Permitted Tax Restructuring;

(xiii) any joint and several liability or any netting or set-off arrangements arising in each case by operation of law as a result of the existence or establishment of a fiscal unity for corporate income tax, trade tax, value added tax or other taxes or similar purposes, profit and loss pooling, cash pooling, tax sharing or other similar arrangements or any analogous arrangement.

(xiv) any indebtedness or obligation under any transaction documents (other than money borrowed) for any acquisition or Investment not prohibited by the Indenture, Investments or acquisition or any deferred consideration or compensation or other similar arrangements in connection with any such Investment or acquisition;

(xv) non-interest bearing installment obligations Incurred in the ordinary course of business that are not more than 120 days past due and any accrued expenses and trade payables;

(xvi) (A) guarantees, letters of credit (to the extent not drawn or satisfied within 60 days of such drawing) or similar instruments in respect of any leases or provided to suppliers in the ordinary course of business (or provided to credit insurers relating to ordinary course of business payables of the Issuer and the Restricted Subsidiaries) or (B) other Indebtedness in respect of standby letters of credit, performance bonds or surety bonds provided by the Issuer or any Restricted Subsidiary in the ordinary course of business to the extent such letters of credit or bonds are not drawn upon or, if and to the extent drawn upon are honored in accordance with their terms and, if to be reimbursed, are reimbursed no later than the fifth Business Day following receipt by such person of a demand for reimbursement following payment on the letter of credit or bond; and

(xvii) Indebtedness Incurred by the Issuer or any Restricted Subsidiary in connection with a transaction where (A) such indebtedness is borrowed from a bank or trust company, having a combined capital and surplus and undivided profits of not less than €250 million, whose debt has a rating immediately prior to the time such transaction is entered into, of at least "*A*" or the equivalent thereof by S&P and "*A-2*" or the equivalent thereof by Moody's and (B) a substantially concurrent Investment is made by the Issuer or a Restricted Subsidiary in the form of cash deposited with the lender of such indebtedness, or a Subsidiary or Affiliate thereof, in amount equal to such indebtedness.

"*Independent Financial Advisor*" means an investment banking or accounting firm of international standing or any third-party appraiser of international standing; *provided* that such firm or appraiser is not an Affiliate of the Issuer.

"*Initial Investors*" means (a) individually or collectively, one or more investment funds, co-investment vehicles, limited partnerships, other similar vehicles or accounts and/or other entities in each case advised or managed by the Sponsor and, in each case, any of their successors, Affiliates or direct or indirect Subsidiaries (but excluding, in each case, any portfolio company which is an obligor (and any of its Subsidiaries) in respect of any third party financing provided to that portfolio company (or any of its Subsidiaries) in which such investment funds, limited partnerships and other entities advised or managed by the Sponsor or such Affiliates, Subsidiaries or investors hold an investment or interest in) and (b) (i) any of the ultimate beneficial owners of CO.FI.M.A. S.p.A. as of the date of the Issue Date, (ii) any of their respective spouses, family members or relatives, (iii) any of the heirs, executors or successors of the foregoing, or (iv) any vehicles or trusts controlled by or for the benefit of any of the foregoing.

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of a member of the Group, an IPO Pushdown Entity or any Parent Entity or any successor of such member of the Group, IPO Pushdown Entity or any Parent Entity (the "*IPO Entity*") following which there is a public market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Intercreditor Agreement*" means the Intercreditor Agreement dated November 17, 2020, by and among, *inter alios*, the Issuer and the Security Agent and to which the Trustee will accede on or about the Issue Date, as amended from time to time.

"*Investment*" means, with respect to any person, all investments by such person in other persons (including Affiliates) in the form of advances, loans or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any person in the ordinary course of business or consistent with past practice, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other persons and all other items that are or would be classified as investments on a balance sheet prepared on the basis of IFRS; *provided* that endorsements of negotiable instruments and documents in the ordinary course of business or consistent with past practice will not be deemed to be an Investment. If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a person that is a Restricted Subsidiary such that, after giving effect thereto, such person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such person remaining after giving effect thereto will be deemed to be a new Investment at such time.

For purposes of "*—Certain Covenants—Limitation on Restricted Payments*" and "*—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries*":

(1) "*Investment*" will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided* that upon a re-designation of such Subsidiary as a Restricted Subsidiary, the Issuer will be deemed to continue to have a permanent "Investment" in an

Unrestricted Subsidiary in an amount (if positive) equal to (a) the Issuer's "Investment" in such Subsidiary at the time of such re-designation *less* (b) the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the fair market value of the net assets (as determined by the Issuer) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined by the Issuer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment, sale or other amount or value received in respect of such Investment.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States of America or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully Guaranteed or insured by the European Union or a member of the European Union, Australia, Japan, Norway, Switzerland or the United Kingdom or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "A-" or higher from S&P or "A3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries;

(4) Investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution; and

(5) any investment in repurchase obligations with respect to any securities of the type described in clauses (1), (2), and (3) above which are collateralized at par or over.

"*Investment Grade Status*" shall occur when the Notes receive two of the following:

(1) a rating of "BBB-" or higher from S&P;

(2) a rating of "Baa3" or higher from Moody's; or

(3) a rating of "BBB-" or higher from Fitch,

or the equivalent of such rating by such rating organization or, if no rating of S&P, Moody's or Fitch then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"*IPO Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"*Issue Date*" means December 29, 2020.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien, hypothecation or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof); *provided* that in no event shall any lease be deemed to constitute a Lien.

"*local line of credit*" or "*local working capital facility*" means a debt facility borrowed by the Issuer or a Restricted Subsidiary that may be Guaranteed by the Issuer and any Restricted Subsidiaries and may benefit from any Permitted Liens or Permitted Collateral Liens on any assets of the borrower and guarantors thereunder as permitted by the Indenture, the proceeds of which are intended to be used in any jurisdiction where any member of the Group is located, present or otherwise has assets or operations.

"*Long Derivative Instrument*" means a Derivative Instrument (i) the value of which generally increases, and/or the payment or delivery obligations under which generally decrease, with positive changes to the Performance References and/or (ii) the value of which generally decreases, and/or the payment or delivery obligations under which generally increase, with negative changes to the Performance References.

"*LTM EBITDA*" means Consolidated EBITDA of the Issuer measured for the Relevant Testing Period ending prior to the date of such determination, in each case with such *pro forma* adjustments giving effect to such Indebtedness, acquisition or Investment, as applicable, since the start of such Relevant Testing Period and as are consistent with the *pro forma* adjustments set forth in the definition of "*Fixed Charge Coverage Ratio*," *provided* that in the event any Indebtedness, loan, Investment, disposal, guarantee, payment or other transaction is committed, Incurred or made by any member of the Group based on the amount of LTM EBITDA on the relevant date of determination, that Indebtedness, loan, Investment, disposal, guarantee, payment or other transaction shall not constitute, or be deemed to constitute, or result in, a breach of any provision of the Indenture or any other Notes Document if there is a subsequent change in the amount of LTM EBITDA.

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees, contractors or consultants (or their respective Controlled Investment Affiliates or Immediate Family Members) of any Parent Entity, the Issuer or any Restricted Subsidiary, or to any management equity plan, stock option plan, any other management or employee benefit, bonus or incentive plan or any trust, partnership or other entity of, established for the benefit of, or the beneficial owner of which (directly or indirectly) is, any of the foregoing:

(1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or consistent with past practice or (b) for purposes of funding any such person's purchase (or the purchase by any management equity plan) of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer, its Subsidiaries or any Parent Entity with the approval of the Board of Directors of the Issuer;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office;

(3) in respect of additional loans to employees, an amount not exceeding the greater of (i) €15.3 million and (ii) 5.0% of LTM EBITDA in the aggregate outstanding at the time of Incurrence; or

(4) an amount not exceeding the greater of (i) €23.0 million and (ii) 7.5% of LTM EBITDA in the aggregate outstanding at the time of Incurrence.

"*Management Stockholders*" means (x) the current or former officers, directors, employees and other members of the management of, or consultants to, any Parent Entity, the Issuer or (y) any of their respective Subsidiaries or spouses, family members or relatives thereof, or any of the foregoing, or any of their heirs, executors, successors and legal representatives (collectively referred to as "*Related Persons*"), who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Issuer or any Parent Entity or participate in an employee arrangement that tracks equity value and is designed to distribute amounts based on a sale, share repurchase, dividend or other shareholder exit event.

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend, multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Moody's*" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*MTO*" means the mandatory tender offer to the remaining minority shareholders of the Target that will be launched by BidCo, in accordance with the rules of *Commissione Nazionale per le Società e la Borsa*, the Italian securities regulator.

"*MTO Acquisition*" means the acquisition by Bidco of some or all of the issued share capital of the Target, pursuant to the MTO, Sell-Out or Squeeze-Out Acquisition and/or the Delisting Merger.

"*MTO Acquisition Debt*" means indebtedness Incurred under the Revolving Facility and Bridge Facility to purchase Capital Stock of the Target under the MTO or any Sell-Out or Squeeze-Out Acquisition or to finance the purchase by BidCo of Capital Stock of the Target in over-the-counter purchases or any Additional Notes issued after the Issue Date (other than Additional Notes used to refinance existing indebtedness under the Bridge Facility) to purchase Capital Stock of the Target under the MTO or any Sell-Out or Squeeze-Out Acquisition or to finance the purchase by BidCo of Capital Stock of the Target in over-the-counter purchases.

"*Nationally Recognized Statistical Rating Organization*" means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) under the Exchange Act.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid, reasonably estimated to be actually payable or accrued as a liability under IFRS (including, for the avoidance of doubt, any income, withholding and other Taxes payable as a result of the distribution of such proceeds to the Issuer and after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition, including distributions for Related Taxes;

(2) all payments made on any Indebtedness which (i) is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or (ii) must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent Entity, the Issuer or any of the respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition;

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition, including pension and other post-employment benefits liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such transaction; and

(5) any funded escrow established pursuant to the documents evidencing any such sale or disposition to secure any indemnification obligations or adjustments to the purchase price associated with any such Asset Disposition.

"*Net Cash Proceeds*," with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of Taxes paid or reasonably estimated to be actually payable as a result of such issuance or sale (including, for the avoidance of doubt, any income, withholding and other Taxes payable as a result of the distribution of such proceeds to the Issuer and after taking into account any available tax credit or deductions and any Tax Sharing Agreements, and including distributions for Related Taxes).

"*Net Short*" means, with respect to a Holder or beneficial owner of any Notes, as of a date of determination, either (i) the value of its Short Derivative Instruments exceeds the sum of (x) the value of its Notes plus (y) the value of its Long Derivative Instruments as of such date of determination or (ii) it is reasonably expected that such would have been the case were a Failure to Pay or Bankruptcy

Credit Event (each as defined in the 2014 ISDA Credit Derivatives Definitions) to have occurred with respect to the Issuer or any Guarantor immediately prior to such date of determination. Notwithstanding the foregoing, no Holder or beneficial owner of the Notes that is a licensed bank shall be deemed to be "Net Short" or to hold a "Net Short" position.

"*Non-Core Assets*" means any assets of the Issuer or any Restricted Subsidiary and designated in good faith as "non-core" to the material business activities of the Issuer and the Restricted Subsidiaries (taken as a whole) pursuant to a notice from the Issuer to the Trustee.

"*Notes Documents*" means the Notes (including Additional Notes), the Indenture (including the Notes Guarantees), any supplemental indentures to the Indenture, the Escrow Agreement, the Escrow Charge, the Transaction Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements and any other document designated as a "Notes Document" by the Issuer and the Trustee.

"*Notes Guarantee*" means a guarantee of the Notes pursuant to the Indenture.

"*Obligations*" means any principal, interest (including Post-Petition Interest and fees accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Issuer or any Guarantor whether or not a claim for Post-Petition Interest or fees is allowed in such proceedings), penalties, fees, indemnifications, reimbursements (including reimbursement obligations with respect to letters of credit and bankers' acceptances), damages and other liabilities payable under the documentation governing any Indebtedness.

"*Offering Memorandum*" mean this offering memorandum relating to the offering of Notes.

"*Officer*" means, with respect to any person, (1) the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, any Assistant Treasurer, any Managing Director, the Secretary or any Assistant Secretary (a) of such person or (b) if such person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such person.

"*Officer's Certificate*" means, with respect to any person, a certificate signed by one Officer of such person.

"*On-Lent Debt*" means Indebtedness Incurred by the Issuer or any of the Restricted Subsidiaries (excluding the Target and the Target Restricted Subsidiaries), the proceeds of which have been on-lent, directly or indirectly, to the Target pursuant to an intra-group proceeds loan and have not been repaid by the Target and provided that such proceeds loan represents a pari passu ranking Indebtedness of the Target and provided further that, subject to the Agreed Security Principles, Transaction Security has been granted in favor of the Security Agent in respect of the structural intra-group receivables owed to the Issuer or the Restricted Subsidiary making the proceeds loan to the Target (as applicable).

"*Opinion of Counsel*" means a written opinion from legal counsel that is reasonably satisfactory to the Trustee (which may be subject to customary assumptions, qualifications and exclusions). The counsel may be an employee of or counsel to the Issuer or its Subsidiaries.

"*Parent Entity*" means any direct or indirect parent of the Issuer.

"*Parent Entity Expenses*" means:

(1) costs (including all legal, accounting and other professional fees and expenses) Incurred by any Parent Entity in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to the Notes, the Guarantees or any other Indebtedness of the Issuer or any Restricted Subsidiary (including the Revolving Facility, the Guarantee Facility and the Bridge Facility), including in respect of any reports filed or delivered with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent Entity owing to directors, officers, employees or other persons under its articles, charter, by-laws, partnership agreement or other organizational documents or pursuant to written agreements with any such person to the extent relating to the Issuer and its Subsidiaries;

(3) obligations of any Parent Entity in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and the Subsidiaries;

(4) any (i) general corporate overhead expenses, including all legal, accounting and other professional fees and expenses, (ii) other operational expenses of any Parent Entity related to the ownership or operation of the business of the Issuer or any of the Restricted Subsidiaries, (iii) costs and expenses with respect to the ownership, directly or indirectly, by any Parent Entity, (iv) costs and expenses with respect to the maintenance of any equity incentive or compensation plan, (v) any Taxes and other fees and expenses required to maintain such Parent Entity's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent Entity and (vi) costs and expenses to reimburse reasonable out-of-pocket expenses of the Board of Directors of such Parent Entity;

(5) expenses Incurred by any Parent Entity in connection with (i) any offering, sale, conversion or exchange of Subordinated Shareholder Funding, Capital Stock or Indebtedness and (ii) any related compensation paid to officers, directors and employees of such Parent Entity;

(6) amounts to finance Investments that would otherwise be permitted to be made pursuant to the covenant described above under "*—Certain Covenants—Limitation on Restricted Payments*" if made by the Issuer or a Restricted Subsidiary; *provided* that (A) such Restricted Payment shall be made substantially concurrently with the closing of such Investment, (B) such direct or indirect parent company shall, immediately following the closing thereof, cause (1) all property acquired (whether assets or Capital Stock) to be contributed to the capital of the Issuer or one of the Restricted Subsidiaries or (2) the merger, consolidation or amalgamation of the person formed or acquired into the Issuer or one of the Restricted Subsidiaries in order to consummate such Investment, (C) such direct or indirect parent company and its Affiliates (other than the Issuer or a Restricted Subsidiary) receives no consideration or other payment in connection with such transaction except to the extent the Issuer or a Restricted Subsidiary could have given such consideration or made such payment in compliance with the Indenture and such consideration or other payment is included as a Restricted Payment under the Indenture, (D) any property received by the Issuer shall not increase amounts available for Restricted Payments pursuant to clause (c) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*" or be an Excluded Contribution and (E) such Investment shall be deemed to be made by the Issuer or such Restricted Subsidiary pursuant to a provision of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*" or pursuant to the definition of "Permitted Investments"; and

(7) any other costs or expenses of any Parent Entity up to the greater of (x) €15.3 million and (y) 5.0% of LTM EBITDA per calendar year (with unused amounts in any fiscal year being carried forward to the next succeeding fiscal year and amounts that will not be used in the subsequent fiscal year being carried back to the immediately preceding fiscal year).

"*Pari Passu Indebtedness*" means Indebtedness (a) of the Issuer which ranks equally in right of payment to the Notes or (b) of any Guarantor which ranks equally in right of payment to the Notes Guarantee of such Guarantor.

"*Paying Agent*" means any person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

"*Permitted Asset Swap*" means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents between the Issuer or any of the Restricted Subsidiaries and another person; *provided* that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock.*"

"*Permitted Change of Control*" means any Change of Control that does not constitute a Change of Control Triggering Event.

"*Permitted Collateral Liens*" means Liens on the Charged Property:

(a) that are described in one or more of clauses (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (14), (15), (16), (17), (18), (24), (26), (27), (28), (32), (34), (36), (37), (41), (42), (43), (44) and (45) of the definition of "*Permitted Liens*" and Liens arising by operation of law that would not materially interfere with the ability of the Security Agent to enforce the Security Interests in the Charged Property;

(b) to secure all obligations (including paid-in-kind interest) in respect of:

(i) the Notes (other than Additional Notes), including any Notes Guarantee;

(ii) Indebtedness described under clause (1)(a) and (6) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" *provided* that such Indebtedness may have super senior priority status in respect of the proceeds from the enforcement of the Charged Property and certain distressed disposals of assets, in each case to the extent Incurred in compliance with the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

(iii) Indebtedness described under the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*," *provided* that (x) if such Indebtedness constitutes Senior Secured Indebtedness, after giving *pro forma* effect thereto, the Consolidated Senior Secured Net Leverage Ratio of the Issuer and the Restricted Subsidiaries does not exceed 4.10 to 1.00 or (y) if such Indebtedness constitutes Junior Secured Indebtedness, either (A) the Consolidated Total Secured Net Leverage Ratio does not exceed 4.35 to 1.00 or (B) the Fixed Charge Coverage Ratio of the Issuer and the Restricted Subsidiaries is at least 2.00 to 1.00;

(iv) Indebtedness described under clause (2) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness,*" to the extent that such guarantee is in respect of Indebtedness otherwise permitted to be secured by a Permitted Collateral Lien;

(v) Indebtedness described under clauses (1)(b), (1)(c), (4)(e), 4(f), (5), (7) (other than with respect to Capitalized Lease Obligations), (10), (13), (20) or (21) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*"; or

(vi) any Refinancing Indebtedness in respect of Indebtedness referred to in sub-clauses (i) to (v) above to the extent the Indebtedness being refinanced was so secured; or

(c) Incurred in the ordinary course of business of the Issuer or any of the Restricted Subsidiaries with respect to obligations that in total do not exceed the greater of (i) €15.3 million and (ii) 5.0% of LTM EBITDA at any time outstanding and that (x) are not Incurred in connection with the borrowing of money and (y) do not in the aggregate materially detract from the value of the property or materially impair the use thereof or the operation of the Issuer's or such Restricted Subsidiary's business,

provided, that, in the case of clause (b) of this definition, each of the secured parties to any such Indebtedness that exceeds an aggregate amount equal to the greater of (x) €91.9 million and (y) 30.0% of LTM EBITDA and is outstanding for more than 150 days (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement and *provided further* that for purposes of determining compliance with this definition, in the event that a Permitted Collateral Lien meets the criteria of more than one of the categories of Permitted Collateral Liens described in clauses (a) through (c) above, the Issuer will be permitted to classify such Permitted Collateral Lien on the date of its Incurrence and reclassify such Permitted Collateral Lien at any time and in any manner that complies with this definition and *provided further* that Permitted Collateral Liens may not have super senior priority status in respect of the proceeds from the enforcement of the Charged Property or a distressed disposal of assets, other than as permitted by sub-clause (b)(ii) above, save that nothing in this definition shall prevent lenders under any Credit Facilities from providing for any ordering of payments under the various tranches of such Credit Facilities.

"*Permitted Holders*" means, collectively, (i) the Initial Investors, (ii) any one or more persons, together with such persons' Affiliates, whose beneficial ownership constitutes or results in (a) a Permitted

Change of Control or (b) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture, (iii) the Management Stockholders, (iv) any person who is acting solely as an underwriter in connection with a public or private offering of Capital Stock of any IPO Entity, acting in such capacity, and (v) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, persons referred to in sub-clauses (i) through (iv) of this definition, collectively, have beneficial ownership of more than 50% of the total voting power of the Voting Stock of the Issuer or any Parent Entity held by such group.

"*Permitted Investment*" means (in each case, by the Issuer or any of the Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) a person (including the Capital Stock of any such person) that will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another person and as a result of such Investment such other person is merged, amalgamated, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business or consistent with past practice;

(5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business or consistent with past practice;

(6) Management Advances;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business or consistent with past practice and owing to the Issuer or any Restricted Subsidiary or in exchange for any other Investment or accounts receivable held by the Issuer or any such Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor or otherwise with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition;

(9) Investments existing or pursuant to agreements or arrangements in effect on the Issue Date and any modification, replacement, renewal or extension thereof; *provided* that the amount of any such Investment may not be increased except (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;

(10) Hedging Obligations, which transactions or obligations are Incurred in compliance with the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

(11) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "*—Certain Covenants—Limitation on Liens*";

(12) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent Entity as consideration;

(13) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*" (except those described in clauses (1), (3), (6), (7), (8), (9), (12) and (14) of that paragraph);

(14) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in any case, in the ordinary course of business or consistent with past practices, and in accordance with the Indenture;

(15) any (a) Guarantees of Indebtedness not prohibited by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business, and (b) performance guarantees with respect to obligations that are not prohibited by the Indenture;

(16) Investments consisting of earnest money deposits required in connection with a purchase agreement, or letter of intent, or other acquisitions to the extent not otherwise prohibited by the Indenture;

(17) Investments of a Restricted Subsidiary acquired after the Issue Date or of an entity merged or amalgamated into the Issuer or merged or amalgamated into or consolidated with a Restricted Subsidiary after the Issue Date to the extent that such Investments were not made in contemplation of or in connection with such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(18) Investments consisting of licensing or contribution of intellectual property pursuant to joint marketing arrangements with other persons;

(19) contributions to a "*rabbi*" trust for the benefit of employees or other grantor trust subject to claims of creditors in the case of a bankruptcy of the Issuer;

(20) Investments in Unrestricted Subsidiaries having an aggregate fair market value, when taken together with all other Investments made pursuant to this clause that are at the time outstanding, not to exceed the greater of (a) €76.6 million and (b) 25.0% of LTM EBITDA at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value), *plus* the amount of any returns (including dividends, payments, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) in respect of such Investments (without duplication for purposes of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*" of any amounts applied pursuant to clause (c) of the first paragraph of such covenant) with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value; *provided* that if any Investment pursuant to this clause is made in any person that is not the Issuer or a Restricted Subsidiary at the date of the making of such Investment and such person becomes the Issuer or a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of this definition and shall cease to have been made pursuant to this clause for so long as such person continues to be the Issuer or a Restricted Subsidiary;

(21) additional Investments having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (21) that are at that time outstanding, not to exceed the greater of (a) €91.9 million and (b) 30.0% of LTM EBITDA (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value), *plus* the amount of any returns (including dividends, payments, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) in respect of such Investments (without duplication for purposes of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*" of any amounts applied pursuant to clause (c) of the first paragraph of such covenant) with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value; *provided* that if any Investment pursuant to this clause is made in any person that is not the Issuer or a Restricted Subsidiary at the date of the making of such Investment and such person becomes the Issuer or a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of this definition and shall cease to have been made pursuant for so long as such person continues to be the Issuer or a Restricted Subsidiary;

(22) any Investment in joint ventures and similar entities and in Similar Businesses having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (22) that are at that time outstanding, not to exceed the greater of (a) €76.6 million and (b) 25.0% of LTM EBITDA (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value), *plus* the amount of any returns (including dividends, payments, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) in respect of such Investments (without duplication for purposes of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*" of any amounts applied pursuant to clause (c) of the first paragraph of such covenant)

with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value; *provided* that if any Investment pursuant to this clause (22) is made in any person that is not the Issuer or a Restricted Subsidiary at the date of the making of such Investment and such person becomes the Issuer or a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of this definition and shall cease to have been made pursuant to this clause (22) for so long as such person continues to be the Issuer or a Restricted Subsidiary;

(23) Investments (a) arising in connection with a Qualified Securitization Financing or Receivables Facility and (b) constituting distributions or payments of Securitization Fees and purchases of Securitization Assets or Receivables Assets in connection with a Qualified Securitization Financing or Receivables Facility;

(24) Investments in connection with the Transactions;

(25) Investments (including repurchases) in Indebtedness of the Issuer and the Restricted Subsidiaries;

(26) Investments by an Unrestricted Subsidiary in a person that is not the Issuer or a Restricted Subsidiary entered into prior to the day such Unrestricted Subsidiary is re-designated as a Restricted Subsidiary pursuant to the covenant described under "*—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries*" so long as such Investments were not entered into in contemplation of or in connection with such redesignation;

(27) guaranty and indemnification obligations arising in connection with surety bonds issued in the ordinary course of business or consistent with past practice;

(28) Investments consisting of purchases and acquisitions of assets or services in the ordinary course of business or consistent with past practice or made in the ordinary course of business or consistent with past practice in connection with obtaining, maintaining or renewing client contacts and loans or advances made to distributors in the ordinary course of business or consistent with past practice;

(29) Investments in prepaid expenses, negotiable instruments held for collection and lease, utility and workers compensation, performance and similar deposits entered into as a result of the operations of the business in the ordinary course of business or consistent with past practice;

(30) Investments in the ordinary course of business consisting of Uniform Commercial Code Article 3 endorsements for collection of deposit and Article 4 customary trade arrangements with customers consistent with past practices;

(31) transactions entered into in order to consummate a Permitted Tax Restructuring;

(32) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property or Investments in customers in respect of any such purchases and acquisitions, in any case, in the ordinary course of business or consistent with past practice and otherwise in accordance with the Indenture; and

(33) Investments made with, or received from or in exchange for, (i) the licensing or use of intangible assets, *provided* that the Issuer and the Restricted Subsidiaries maintain the ownership of such intangible assets without the need to pay consideration to use such assets or (ii) the provision of management, advisory, sales, marketing and/or other similar services.

"*Permitted Liens*" means, with respect to any person:

(1) Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness and other Obligations of any Restricted Subsidiary that is not a Guarantor;

(2) pledges, deposits or Liens under workmen's compensation laws, old-age-part-time arrangements, payroll taxes, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements) or pension related liabilities and obligations, or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure the performance of bids, trade contracts, government contracts and leases, statutory obligations, surety, stay, indemnity, judgment, customs, appeal or performance bonds, guarantees of government contracts, return-of-money bonds, bankers' acceptance facilities (or other similar

bonds, instruments or obligations), obligations in respect of letters of credit, bank guarantees or similar instruments that have been posted to support the same, or as security for contested taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business; or consistent with past practice;

(3) Liens with respect to outstanding motor vehicle fines and Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's, construction contractors' or other like Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for Taxes, assessments or governmental charges which are not overdue for a period of more than 30 days or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS (or other applicable accounting principles) have been made in respect thereof;

(5) encumbrances, charges, ground leases, easements (including reciprocal easement agreements), survey exceptions, restrictions, encroachments, protrusions, by-law, regulation, zoning restrictions or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and the Restricted Subsidiaries or to the ownership of their properties, including servicing agreements, development agreements, site plan agreements, subdivision agreements, facilities sharing agreements, cost sharing agreements and other agreements, which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and the Restricted Subsidiaries;

(6) Liens (a) on assets or property of the Issuer or any Restricted Subsidiary securing Hedging Obligations or Cash Management Services permitted under the Indenture; (b) that are statutory, common law or contractual rights of set-off (including, for the avoidance of doubt, Liens arising under the general terms and conditions of banks or saving banks or, in the case of sub-clause (i) or (ii) below, other bankers' Liens (i) relating to treasury, depository and Cash Management Services or any automated clearing house transfers of funds in the ordinary course of business and not given in connection with the issuance of Indebtedness, (ii) relating to pooled deposit or sweep accounts to permit satisfaction of overdraft or similar obligations Incurred in the ordinary course of business of the Issuer or any Subsidiary of the Issuer or (iii) relating to purchase orders and other agreements entered into with customers of the Issuer or any Restricted Subsidiary in the ordinary course of business); (c) on cash accounts securing Indebtedness and other Obligations permitted to be Incurred under clauses (8)(d) or (8)(e) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" with financial institutions; (d) encumbering reasonable customary initial deposits and margin deposits and similar Liens attaching to commodity trading accounts or other brokerage accounts Incurred in the ordinary course of business, consistent with past practice and not for speculative purposes; (e) of a collection bank arising under Section 4-210 of the UCC on items in the course of collection; (f) in favor of a banking institution arising as a matter of law encumbering deposits (including the right of set-off) arising in the ordinary course of business in connection with the maintenance of such accounts; and/or (g) arising under customary general terms of the account bank in relation to any bank account maintained with such bank and attaching only to such account and the products and proceeds thereof, which Liens, in any event, do not secure any Indebtedness;

(7) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(8) Liens securing or otherwise arising out of judgments, decrees, attachments, orders or awards not giving rise to an Event of Default so long as (a) any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated, (b) the period within which such proceedings may be initiated has not expired or (c) no more than 60 days have passed after (i) such judgment, decree, order or award has become final or (ii) such period within which such proceedings may be initiated has expired;

(9) Liens (i) on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations, or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing Indebtedness or other Obligations Incurred to

finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business or consistent with past practice, *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture and (b) any such Liens may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property; (ii) any interest or title of a lessor under any Capitalized Lease Obligations or operating lease; and (iii) in respect of any Sale and Leaseback Transaction;

(10) Liens perfected or evidenced by UCC financing statement filings, including precautionary UCC financing statements (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and the Restricted Subsidiaries in the ordinary course of business;

(11) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date (other than Liens securing the Notes);

(12) Liens on property, other assets or shares of stock of a person at the time such person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, amalgamation, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary); *provided* that such Liens are limited to all or part of the same property, other assets or stock (*plus* improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(13) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Indebtedness or other Obligations of the Issuer or such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Restricted Subsidiary;

(14) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (*plus* improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness or other Obligations being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(15) Liens constituting (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third-party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(16) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(17) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third-party relating to such property or assets;

(18) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(19) Liens securing Indebtedness and other Obligations under clauses (4)(a), (4)(c), (10), (20) and (21) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

(20) Permitted Collateral Liens;

(21) Liens (a) on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary, (b) then existing with respect to assets of an Unrestricted Subsidiary on the day such Unrestricted Subsidiary is re-designated as a Restricted Subsidiary as described under "*—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries*" so long as such Liens were not made in contemplation of or in connection with such

redesignation and so long as the Indebtedness or other Obligations secured by such Liens are not prohibited under the Indenture and (c) in respect of any credit support in favour of any provider of credit insurance relating to the Issuer and/or any Subsidiary;

(22) any security granted over the marketable securities portfolio described in clause (12) of the definition of "Cash Equivalents" in connection with the disposal thereof to a third-party;

(23) Liens on (a) goods the purchase price of which is financed by a documentary letter of credit issued for the account of the Issuer or any Restricted Subsidiary or Liens on bills of lading, drafts or other documents of title arising by operation of law or pursuant to the standard terms of agreements relating to letters of credit, bank guarantees and other similar instruments and (b) specific items of inventory of other goods and proceeds of any person securing such person's obligations in respect of bankers' acceptances issued or created for the account of such person to facilitate the purchase, shipment or storage of such inventory or other goods;

(24) Liens on equipment of the Issuer or any Restricted Subsidiary and located on the premises of any client or supplier in the ordinary course of business;

(25) Liens on assets or securities deemed to arise in connection with and solely as a result of the execution, delivery or performance of contracts to sell such assets or securities if such sale is otherwise permitted by the Indenture;

(26) Liens arising by operation of law or contract on insurance policies and the proceeds thereof to secure premiums thereunder, and Liens, pledges and deposits in the ordinary course of business securing liability for premiums or reimbursement or indemnification obligations of (including obligations in respect of letters of credit or bank guarantees for the benefits of) insurance carriers;

(27) Liens solely on any cash earnest money deposits made in connection with any letter of intent or purchase agreement permitted under the Indenture;

(28) Liens (a) on cash advances in favor of the seller of any property to be acquired in an Investment permitted pursuant to Permitted Investments to be applied against the purchase price for such Investment, and (b) consisting of an agreement to sell any property in an asset sale permitted under the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*," in each case, solely to the extent such Investment or asset sale, as the case may be, would have been permitted on the date of the creation of such Lien;

(29) Liens securing Indebtedness and other Obligations in an aggregate principal amount not to exceed the greater of (a) €153.2 million and (b) 50.0% of LTM EBITDA at the time Incurred;

(30) Liens deemed to exist in connection with Investments in repurchase agreements permitted by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" *provided* that such Liens do not extend to any assets other than those that are the subject of such repurchase agreement;

(31) Liens arising in connection with a Qualified Securitization Financing or a Receivables Facility or factoring financings, securitizations, asset-backed loans and financings (howsoever described or structured), receivables financings or similar arrangements;

(32) Settlement Liens;

(33) rights of recapture of unused real property in favor of the seller of such property set forth in customary purchase agreements and related arrangements with any government, statutory or regulatory authority;

(34) the rights reserved to or vested in any person or government, statutory or regulatory authority by the terms of any lease, license, franchise, grant or permit held by the Issuer or any Restricted Subsidiary or by a statutory provision, to terminate any such lease, license, franchise, grant or permit, or to require annual or periodic payments as a condition to the continuance thereof;

(35) restrictive covenants affecting the use to which real property may be put;

(36) Liens or covenants restricting or prohibiting access to or from lands abutting on controlled access highways or covenants affecting the use to which lands may be put; *provided* that such Liens or covenants do not interfere with the ordinary conduct of the business of the Issuer or any Restricted Subsidiary;

(37) Liens arising in connection with any Permitted Tax Restructuring;

(38) Liens required to be granted under mandatory law in favor of creditors as a consequence of a merger or conversion permitted under the Indenture due to §§ 22, 204 German Transformation Act (*Umwandlungsgesetz—UmwG*);

(39) Liens on Escrowed Proceeds or Liens for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case, to the extent such cash or government securities are held in an escrow account or similar arrangement, including in each case any interest or premium thereon;

(40) Liens arising in connection with any joint and several liability and any netting or set-off arrangement arising in each case by operation of law as a result of the existence or establishment of a fiscal unity for corporate income tax, trade tax, value added tax or other taxes or similar purposes, profit and loss pooling, cash pooling, tax sharing or other similar arrangements or any analogous arrangement;

(41) standard terms relating to banker's Liens or similar general terms and conditions of banks with whom the Issuer or a Restricted Subsidiary maintains a banking relationship in the ordinary course of business or consistent with past practice, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(42) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities, or Liens over cash accounts and receivables securing cash pooling or cash management arrangements;

(43) (i) Liens created for the benefit of or to secure, directly or indirectly, the Notes and the Notes Guarantees, (ii) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing as among the Holders and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement, (iii) Liens securing Indebtedness Incurred under clause (1) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" to the extent the Agreed Security Principles would permit that such Lien not be granted to secure the Notes or the Notes Guarantees and (iv) Liens on rights under any proceeds loan that are assigned to the third party creditors of the Indebtedness Incurred by the Issuer or any Restricted Subsidiary to finance such proceeds loan and Incurred in compliance with the Indenture and securing that Indebtedness;

(44) Liens created or subsisting in order to secure any pension liabilities or partial retirement liabilities or any liabilities arising in connection with any pension insurance plan;

(45) any extension, renewal or replacement, in whole or in part, of any Lien described in this definition of Permitted Lien, *provided* that any such extension, renewal or replacement shall not extend in any material respect to any additional property or assets;

(46) any Lien not securing Indebtedness; and

(47) Liens on the Escrow Accounts created for the benefit of, or to secure, directly or indirectly, the Notes.

In the event that a Permitted Lien meets the criteria of more than one of the types of Permitted Liens (at the time of Incurrence or at a later date), the Issuer in its sole discretion may divide, classify or from time to time reclassify all or any portion of such Permitted Lien in any manner that complies with the Indenture and such Permitted Lien shall be treated as having been made pursuant only to the clause or clauses of the definition of Permitted Lien to which such Permitted Lien has been classified or reclassified.

"*Permitted Reorganization*" means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction involving the Issuer or any of the Restricted Subsidiaries (a "*Reorganization*") that is made on a solvent basis; *provided* that:

(a) any payments or assets distributed in connection with such Reorganization remain within the Issuer and the Restricted Subsidiaries; and

(b) if any shares or other assets form part of the Charged Property, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Charged Property, and *provided further* that no Permitted Reorganization may override the provisions of the covenant described under "*—Certain Covenants—Merger and Consolidation*."

"*Permitted Tax Distribution*" means:

(a) if and for so long as the Issuer is a member of a fiscal unity (whether resulting from a domination and profit or loss pooling agreement or otherwise) or a group filing a consolidated or combined tax return with any Parent Entity, any dividends, intercompany loans, other intercompany balances or other distributions to fund any income Taxes for which such Parent Entity is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis calculated as if the Issuer and its Subsidiaries had paid Tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Subsidiaries; and

(b) for any taxable year (or portion thereof) ending after the Issue Date for which the Issuer is treated as a disregarded entity, partnership, or other flow-through entity for federal, state, provincial, territorial, and/or local income Tax purposes, the payment of dividends or other distributions to the Issuer's direct owner(s) to fund the income Tax liability of such owner(s) (or, if a direct owner is a pass-through entity, of the indirect owner(s)) for such taxable year (or portion thereof) attributable to the operations and activities of the Issuer and its direct and indirect Subsidiaries,

in an aggregate amount not the exceed the product of (x) the highest combined marginal federal and applicable state, provincial, territorial, and/or local statutory income Tax rate (after taking into account the deductibility of U.S. state and local income Tax for U.S. federal income Tax purposes) and (y) the taxable income of the Issuer for such taxable year (or portion thereof).

"*Permitted Tax Restructuring*" means any reorganizations and other activities related to tax planning and tax reorganization entered into prior to, on or after the date hereof so long as such Permitted Tax Restructuring is not materially adverse to the Holders (as determined by the Issuer in good faith).

"*person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"*Post-Petition Interest*" means any interest or entitlement to fees or expenses or other charges that accrue after the commencement of any bankruptcy or insolvency proceeding, whether or not allowed or allowable as a claim in any such bankruptcy or insolvency proceeding.

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

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (i) a public offering registered under the Securities Act or (ii) a private placement to institutional and other investors, in each case, that are not Affiliates of the Issuer, in accordance with Rule 144A and/or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public Offering*" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar persons).

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any person owning such property or assets, or otherwise.

"*Qualified Securitization Financing*" means any Securitization Facility that meets the following conditions: (i) the Board of Directors shall have determined in good faith that such Qualified Securitization Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Restricted Subsidiaries, (ii) all sales of Securitization Assets and related assets by the Issuer or any Restricted Subsidiary to the Securitization Subsidiary or any other person are made for fair consideration (as determined in good faith by the Issuer) and (iii) the financing terms, covenants, termination events and other provisions thereof shall be fair and reasonable terms (as determined in good faith by the Issuer) and may include Standard Securitization Undertakings.

"*rating agencies*" means S&P, Moody's and Fitch or if no rating of S&P, Moody's or Fitch is publicly available, as the case may be, the equivalent of such rating selected by the Issuer by any other Nationally Recognized Statistical Ratings Organization.

"*Receivables Assets*" means (a) any accounts receivable owed to the Issuer or a Restricted Subsidiary subject to a Receivables Facility and the proceeds thereof and (b) all collateral securing such accounts receivable, all contracts and contract rights, guarantees or other obligations in respect of such accounts receivable, all records with respect to such accounts receivable and any other assets customarily transferred together with accounts receivable in connection with a non-recourse accounts receivable factoring arrangement and which are sold, conveyed, assigned or otherwise transferred or pledged by the Issuer or such Restricted Subsidiary (as applicable) in a transaction or series of transactions in connection with a Receivables Facility.

"*Receivables Facility*" means an arrangement between the Issuer or a Restricted Subsidiary and a counterparty pursuant to which (a) the Issuer or such Restricted Subsidiary, as applicable, sells (directly or indirectly) accounts receivable owing by customers, together with Receivables Assets related thereto, (b) the obligations of the Issuer or such Restricted Subsidiary, as applicable, thereunder are non-recourse (except for Securitization Repurchase Obligations) to the Issuer and such Restricted Subsidiary and (c) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Issuer) and may include Standard Securitization Undertakings, and shall include any guaranty in respect of such arrangements.

"*Refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "*refinances*," "*refinanced*" and "*refinancing*" as used for any purpose in the Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the Issue Date or Incurred in compliance with the Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Issuer or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided* that:

(1) such Refinancing Indebtedness:

    (i) has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is Incurred which is not less than the remaining Weighted Average Life to Maturity of the Indebtedness, Disqualified Stock or Preferred Stock being refunded or refinanced; and

    (ii) to the extent refinancing Subordinated Indebtedness, Disqualified Stock or Preferred Stock, is Subordinated Indebtedness, Disqualified Stock or Preferred Stock, respectively, and, in the case of Subordinated Indebtedness, is subordinated to the Notes or the Notes Guarantees (as applicable) on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced;

(2) Refinancing Indebtedness shall not include:

    (i) Indebtedness, Disqualified Stock or Preferred Stock of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness, Disqualified Stock or Preferred Stock of the Issuer or a Guarantor; or

(ii) Indebtedness, Disqualified Stock or Preferred Stock of the Issuer or a Restricted Subsidiary that refinances Indebtedness, Disqualified Stock or Preferred Stock of an Unrestricted Subsidiary;

(3) such Refinancing Indebtedness has an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding (*plus* fees and expenses, including premiums, accrued and unpaid interest and defeasance costs) under the Indebtedness being Refinanced; and

(4) Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"*Related Fund*" in relation to a fund (the "*first fund*"), means a fund which is managed or advised by the same investment manager or investment advisor as the first fund or, if it is managed by a different investment manager or investment advisor, a fund whose investment manager or investment advisor is an Affiliate of the investment manager or investment advisor of the first fund.

"*Related Taxes*" means any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes and other fees and expenses (other than (x) Taxes measured by income and (y) withholding Taxes), required to be paid (*provided* that such Taxes are in fact paid) by any Parent Entity by virtue of its:

(a) being organized or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries) or otherwise maintain its existence or good standing under applicable law;

(b) being a holding company parent, directly or indirectly, of the Issuer or any Subsidiaries of the Issuer;

(c) issuing or holding Subordinated Shareholder Funding;

(d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any Subsidiaries of the Issuer; or

(e) having made (i) any payment in respect to any of the items for which the Issuer is permitted to make payments to any Parent Entity pursuant to "*—Certain Covenants—Limitation on Restricted Payments*" or (ii) any Permitted Tax Distribution.

"*Relevant Testing Period*" means, for purposes of the calculation of any applicable financial covenant, test, basket or ratio (including those based on LTM EBITDA, Fixed Charge Coverage Ratio, Consolidated Senior Secured Net Leverage Ratio, Consolidated Total Secured Net Leverage Ratio and/or Consolidated Total Net Leverage Ratio), the most recently completed four consecutive fiscal quarters ending on the last day of the most recent fiscal quarter (or fiscal year, if later) for which financial statements have been delivered pursuant to the Indenture, or, at the option of the Issuer, the most recently completed twelve consecutive months ending on the last day of a calendar month for which the Issuer has, in its sole determination, sufficient available information to be able to determine any applicable financial covenant, test, basket or ratio.

"*Reserved Indebtedness Amount*" has the meaning set forth in the covenant described under "*—Certain Covenants—Limitation on Indebtedness*."

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"*Revolving Facility*" means the €150 million super senior revolving facilities made available under the Revolving Facility Agreement.

"*Revolving Facility Agreement*" means the super senior revolving facilities agreement, dated on or about November 17, 2020 made by and among, *inter alios*, the Issuer, the other borrowers party thereto, the guarantors from time to time party thereto, Lucid Trustee Services Limited as security agent, and each lender from time to time party thereto, together with the related documents thereto (including the revolving loans thereunder, any letters of credit and reimbursement obligations related thereto, any Guarantees and security documents), as amended, extended, renewed, restated, refunded, replaced, refinanced, supplemented, modified or otherwise changed (in whole or in part, and without limitation as to amount, terms, conditions, covenants and other provisions) from time to time.

"*S&P*" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Sale and Leaseback Transaction*" means any arrangement providing for the leasing by the Issuer or any of the Restricted Subsidiaries of any real or tangible personal property, which property has been or is to be sold or transferred by the Issuer or such Restricted Subsidiary to a third person in contemplation of such leasing.

"*Screened Affiliate*" means any Affiliate of a Holder or, if the Holder is a Relevant Clearing System or its nominee, of a beneficial owner, (i) that makes investment decisions independently from such Holder or beneficial owner and any other Affiliate of such Holder that is not a Screened Affiliate, (ii) that has in place customary information screens between it and such Holder or beneficial owner and any other Affiliate of such Holder or beneficial owner that is not a Screened Affiliate and such screens prohibit the sharing of information with respect to the Issuer or its Subsidiaries, (iii) whose investment policies are not directed by such Holder or beneficial owner or any other Affiliate of such Holder or beneficial owner that is acting in concert with such Holder in connection with its investment in the Notes, and (iv) whose investment decisions are not influenced by the investment decisions of such Holder or beneficial owner or any other Affiliate of such Holder or beneficial owner that is acting in concert with such Holders or beneficial owners in connection with its investment in the Notes.

"*SEC*" means the Securities and Exchange Commission or any successor thereto.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Securitization Asset*" means (a) any accounts receivable, mortgage receivables, loan receivables, royalty, patent or other revenue streams and other rights to payment or related assets and the proceeds thereof and (b) all collateral securing such receivable or asset, all contracts and contract rights, guarantees or other obligations in respect of such receivable or asset, lockbox accounts and records with respect to such account or asset and any other assets customarily transferred (or in respect of which security interests are customarily granted) together with accounts or assets in connection with a securitization, factoring or receivable sale transaction.

"*Securitization Facility*" means any of one or more securitization, financing, factoring or sales transactions, as amended, supplemented, modified, extended, renewed, restated or refunded from time to time, pursuant to which the Issuer or any of the Restricted Subsidiaries sells, transfers, pledges or otherwise conveys any Securitization Assets (whether now existing or arising in the future) to a Securitization Subsidiary or any other person.

"*Securitization Fees*" means distributions or payments made directly or by means of discounts with respect to any Securitization Asset or participation interest therein issued or sold in connection with, and other fees and expenses (including reasonable fees and expenses of legal counsel) paid in connection with, any Qualified Securitization Financing or Receivables Facility.

"*Securitization Repurchase Obligation*" means any obligation of a seller of Securitization Assets or Receivables Assets in a Qualified Securitization Financing or a Receivables Facility to repurchase or otherwise make payments with respect to Securitization Assets or Receivables Assets arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, offset or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Securitization Subsidiary*" means any Subsidiary of the Issuer in each case formed for the purpose of and that solely engages in one or more Qualified Securitization Financings and other activities reasonably related thereto or another person formed for this purpose.

"*Security*" means a mortgage, charge, pledge, lien, security assignment, security transfer of title or other security interest having a similar effect.

"*Security Interests*" means the security interests in the Charged Property that are created by the Transaction Security Documents (other than the Escrow Charge).

"*Sell-Out or Squeeze-Out Acquisition*" means an acquisition of Capital Stock of the Target by the Issuer (or an Affiliate of the Issuer) following the MTO whereby minority holders have the option to put their Capital Stock to the Issuer (or an Affiliate of the Issuer) or a squeeze out procedure for the Issuer (or an Affiliate of the Issuer) to acquire shares in the Target pursuant to Italian law, respectively.

"*Senior Secured Indebtedness*" means Indebtedness included in the definition of "Consolidated Total Indebtedness" that is governed by the Intercreditor Agreement and constitutes Senior Secured Liabilities (as defined in the Intercreditor Agreement); *plus*, prior to a Delisting, all Indebtedness of the Target and the Target Restricted Subsidiaries (whether secured or unsecured) excluding any Indebtedness under Capitalized Lease Obligations (to the extent not secured on the Charged Property).

"*Settlement*" means the transfer of cash or other property with respect to any credit or debit card charge, check or other instrument, electronic funds transfer, or other type of paper-based or electronic payment, transfer, or charge transaction for which a person acts as a processor, remitter, funds recipient or funds transmitter in the ordinary course of its business.

"*Settlement Asset*" means any cash, receivable or other property, including a Settlement Receivable, due or conveyed to a person in consideration for a Settlement made or arranged, or to be made or arranged, by such person or an Affiliate of such person.

"*Settlement Indebtedness*" means any payment or reimbursement obligation in respect of a Settlement Payment.

"*Settlement Lien*" means any Lien relating to any Settlement or Settlement Indebtedness (and may include, for the avoidance of doubt, the grant of a Lien in or other assignment of a Settlement Asset in consideration of a Settlement Payment, Liens securing intraday and overnight overdraft and automated clearing house exposure, and similar Liens).

"*Settlement Payment*" means the transfer, or contractual undertaking (including by automated clearing house transaction) to effect a transfer, of cash or other property to effect a Settlement.

"*Settlement Receivable*" means any general intangible, payment intangible, or instrument representing or reflecting an obligation to make payments to or for the benefit of a person in consideration for a Settlement made or arranged, or to be made or arranged, by such person.

"*Short Derivative Instrument*" means a Derivative Instrument (i) the value of which generally decreases, and/or the payment or delivery obligations under which generally increase, with positive changes to the Performance References and/or (ii) the value of which generally increases, and/or the payment or delivery obligations under which generally decrease, with negative changes to the Performance References.

"*Significant Subsidiary*" means any Restricted Subsidiary or group of Restricted Subsidiaries (taken together) that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such regulation is in effect on the Issue Date and whose proportionate share of Consolidated EBITDA exceeds 10% of the LTM EBITDA of the Issuer and the Restricted Subsidiaries taken as a whole, in each case, measured at the end of the Relevant Testing Period on a *pro forma* basis giving effect to any acquisitions or dispositions of companies, division or lines of business since such balance sheet date or the start of such Relevant Testing Period, as applicable, and on or prior to the date of acquisition of such Subsidiary.

"*Similar Business*" means (a) any businesses, services or activities engaged in by the Issuer or any of its Subsidiaries or any Associates on the Issue Date and (b) any businesses, services and activities engaged in by the Issuer or any of its Subsidiaries or any Associates that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"*SO.FI.MA. Acquisition*" the acquisition of shares in SO.FI.MA. S.p.A. pursuant to the Acquisition Agreement.

"*Sponsor*" means one or more funds, limited partnerships and other entities managed by or otherwise advised by BC Partners LLP, BCEC Management X Limited (on behalf of BC European Capital X-1 to 10 and 5A), BCEC X Lux GP S.à r.l. (on behalf of BCEC X Luxembourg 1 SCSp) or JMP Lux GP S.à r.l. (on behalf of JMP Lux SCSp), BC Partners Management XI Limited (on behalf of (i) BC Partners May Co-Investment LP; (ii) BC Partners Park May Co-Investment LP; (iii) BC Partners XI GD—1 LP; (iv) BC Partners XI GD—2 LP; (v) BC Partners GD—3 LP; (vi) BC Partners GE—1 LP; and (vii) BC Partners GE—2 LP), BC Partners XI Lux GP S.à r.l. (on behalf of (i) BC Partners XI LE—1 SCSp; (ii) BC Partners XI LE—2 SCSp; and (iii) BC Partners XI LE—3 SCSp) or BC Partners XI Lux Aggregators GP S.à r.l. (on behalf of (i) BC XI AGE Luxembourg SCSp; and (ii) BC XI AGD Luxembourg SCSp) and any of their Affiliates or Related Funds.

"*Standard Securitization Undertakings*" means representations, warranties, covenants, guarantees and indemnities entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Securitization Facility, including those relating to the servicing of the assets of a Securitization Subsidiary, it being understood that any Securitization Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking or, in the case of a Receivables Facility, a non-credit related recourse accounts receivable factoring arrangement.

"*Stated Maturity*" means, with respect to any Indebtedness, the date specified in the instrument governing such Indebtedness as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any Contingent Obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Indebtedness*" means, with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which ranks junior in right of payment or security to the Notes or the Notes Guarantees pursuant to a written agreement.

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to the Issuer by any Parent Entity, any Affiliate of any Parent Entity or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided* that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the date that is six (6) months after the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to the date that is six (6) months after the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to the date that is six (6) months after the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the date that is six (6) months after the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) contains no change of control, asset sale or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the date that is six (6) months after the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the date that is six (6) months after the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries;

(5) constitutes "Subordinated Liabilities" pursuant to the Intercreditor Agreement or, pursuant to its terms or to an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes and any Notes Guarantee pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the "Subordinated Liabilities" (as defined therein);

(6) is not Guaranteed by any Subsidiary of the Issuer;

(7) contains restrictions on transfer to a person who is not a Parent Entity, any Affiliate of any Parent Entity, any holder of Capital Stock of a Parent Entity or any Affiliate of a Parent Entity or any Permitted Holder or any Affiliate thereof; *provided* that any transfer of Subordinated Shareholder Funding to any of the foregoing persons shall not be deemed to be materially adverse to the interests of the Holders; and

(8) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Notes or any Notes Guarantee thereof or compliance by the Issuer or any Guarantor with its obligations under the Notes, any Notes Guarantee thereof or the Indenture.

"*Subsidiary*" means, with respect to any person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such person or one or more of the other Subsidiaries of that person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which:

    (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such person or one or more of the other Subsidiaries of that person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

    (b) such person or any Subsidiary of such person is a controlling general partner or otherwise controls such entity.

"*Target*" means I.M.A. Industria Macchine Automatiche S.p.A., a company organized under the laws of Italy, with registered office at Via Emilia 428/442, Ozzano dell'Emilia (BO), Italy, registered with the companies' register of Bologna under no. 00307140376.

"*Target Existing Debt*" means the outstanding indebtedness of the Target Group existing immediately prior to the Acquisition Closing Date (and any interest, coupon, premia, fees, costs or expenses accruing thereon) under (i) the Target Existing Debt Financing and (ii) hedging agreements in relation to the Target Existing Debt Financing.

"*Target Existing Debt Facilities*" means any agreement documenting financial indebtedness of, or available for utilization by, the Target Group immediately prior to the Acquisition Closing Date.

"*Target Existing Debt Financing*" means the Target Existing Debt Facilities and any other debt financing made available to the Target Group and existing immediately prior to the Acquisition Closing Date.

"*Target Group*" means, collectively, the Target and its Subsidiaries.

"*Target Hold*" means the percentage (on a fully diluted basis) of the Target voting shares owned directly or indirectly by BidCo.

"*Target Merger*" means the merger of the Issuer, BidCo and the Target on terms complying with Articles 2501-bis (*et seq.*) of the Italian Civil Code following the acquisition of 100% of the shares in the Target pursuant to the MTO (including the Sell-Out or Squeeze-Out Acquisition).

"*Target MergerCo*" means the surviving entity of the Target Merger.

"*Target Restricted Subsidiaries*" means the Restricted Subsidiaries that are Subsidiaries of the Target.

"*Taxes*" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest, penalties and other liabilities with respect thereto) that are imposed by any government or other taxing authority and "Tax" shall be construed accordingly.

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement, with customary or arm's-length terms or consistent with past practice, entered into with any Parent Entity or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture, and any arrangements or transactions made between the Issuer and/or any of its Subsidiaries and any Parent Entity in order to satisfy the obligations arising under any such tax sharing agreement (including, for the avoidance of doubt, distributions for purposes of compensating accounting losses in relation to a profit and loss pooling agreement and/or upstream loans to any Parent Entity to enable a Parent Entity to compensate the Issuer or such Subsidiary for losses Incurred which may need to be compensated by a Parent Entity under any profit and loss pooling agreement).

"*Temporary Cash Investments*" means any of the following:

(1) any Investment in:

(a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any European Union member state, (iii) the United Kingdom, (iv) Australia, Brazil, Japan, Norway or Switzerland, (v) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (vi) any agency or instrumentality of any such country or member state; or

(b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

(a) any lender under the Revolving Facility Agreement, Guarantee Facility Agreement or Bridge Facility; or

(b) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (1)(a) above; or (c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof, in each case, having capital and surplus aggregating in excess of €250.0 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a person (other than the Issuer or any of the Restricted Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one (1) year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America,

Australia, Brazil, Canada, Japan, Norway, Switzerland, the United Kingdom or any European Union member state or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB-" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States of America, Australia, Brazil, Canada, a member state of the European Union, the United Kingdom, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250.0 million (or the foreign currency equivalent thereof) or whose long-term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) Investment funds investing 90% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"*Topco*" means the direct parent entity of the Issuer.

"*Transaction Documents*" means the Equity Documents and the Notes Documents.

"*Transaction Expenses*" means any fees or expenses Incurred or paid by the Issuer or any Restricted Subsidiary in connection with the Transactions, including any fees, costs and expenses associated with settling any claims or action arising from a dissenting stockholder exercising its appraisal rights.

"*Transaction Security*" means the Security created or expressed to be created in favor of the Security Agent, the Trustee or any Holder of the Notes (represented by the Security Agent, as the case may be) pursuant to the Transaction Security Documents.

"*Transaction Security Documents*" means any document entered into the Issuer, any Guarantor or other third-party security grantor creating or expressed to create Security (other than the Escrow Charge) over all or any part of its assets in respect of the obligations of the Issuer or any Guarantor under the Indenture or the Notes.

"*Transactions*" means (i) the MTO Acquisition, (ii) the refinancing or otherwise discharging of any Target Existing Debt (including the paying of any breakage costs, redemption premium, make-whole costs and other fees, costs and expenses payable in connection with such refinancing and/or discharge of such Target Existing Debt), (iii) the entry into the Revolving Facility, the Guarantee Facility and the Bridge Facility and each drawing under the Bridge Facility, (iv) the offering and issuance of the Note and the Notes Guarantees hereby and use of proceeds therefrom, (v) any step, circumstance, payment, event, reorganization or transaction contemplated by or relating to the Transaction Documents, (vi) satisfaction of the consideration payable for over-the-counter purchases of Target shares by BidCo, (vii) satisfaction of the consideration payable for the direct or indirect acquisition of shares of the Target (pursuant to the MTO, Sell-Out, Squeeze-Out and/or the Delisting Merger), and (viii) with respect to actions set forth in clauses (i)-(vii) above, the payment of any payments arising in connection with such actions, or any related fees, costs and expenses.

"*Trust Indenture Act*" means the Trust Indenture Act of 1939, as amended.

"*UCC*" means the Uniform Commercial Code as in effect from time to time in the State of New York; *provided* that at any time, if by reason of mandatory provisions of law, any or all of the creation, perfection or priority of a collateral agent's security interest in any item or portion of the Charged Property is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, the term "*UCC*" shall mean the Uniform Commercial Code as in effect, at such time, in such other jurisdiction for purposes of the provisions hereof relating to such creation, perfection or priority and for purposes of definitions relating to such provisions.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Issuer in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary,

provided that the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if such designation and the Investment, if any, of the Issuer in such Subsidiary complies with "*—Certain Covenants—Limitation on Restricted Payments*."

"*U.S. Bankruptcy Code*" means Title 11 of the United States Code, as amended.

"*Voting Stock*" of a person means all classes of Capital Stock of such person then outstanding and normally entitled to vote in the election of directors.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness, Disqualified Stock or Preferred Stock, as the case may be, at any date, the quotient obtained by dividing:

(1) the sum of the products of the number of years from the date of determination to the date of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Disqualified Stock or Preferred Stock multiplied by the amount of such payment; by

(2) the sum of all such payments.

"*Wholly Owned Subsidiary*" means a Restricted Subsidiary, all of the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a person other than the Issuer or another Wholly Owned Subsidiary) is owned by the Issuer or another Wholly Owned Subsidiary.

"*Withdrawal Rights*" means, the rights of the Target's shareholders who did not participate in the resolution approving the Delisting Merger to have their shares liquidated at a value determined pursuant to Italian law, with exclusive reference to the average of the closing prices in the six months preceding the publication of the notice of the shareholders meeting at which the resolutions approving the Delisting Merger were adopted.

BOOK-ENTRY, DELIVERY AND FORM

General

Each series of the Notes sold within the United States to QIBs in reliance on Rule 144A (the "**Rule 144A Notes**") under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (collectively, the "**Rule 144A Global Notes**"). The Rule 144A Global Notes will be deposited with, or on behalf of, a common depositary (the "**Common Depositary**") for the accounts of Euroclear Bank SA/NV, as operator of the Euroclear system ("**Euroclear**"), and Clearstream Banking, *société anonyme* ("**Clearstream**") and registered in the name of the nominee of the Common Depositary.

Each series of the Notes sold outside the United States in reliance on Regulation S (the "**Regulation S Notes**") under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (collectively, the "**Regulation S Global Notes**" and, together with the Rule 144A Global Notes, the "**Global Notes**"). The Regulation S Global Notes will be deposited with, or on behalf of, the Common Depositary and registered in the name of the nominee of the Common Depositary.

Except as set forth below, each series of the Notes will be issued in registered, global form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. Notes will be issued at the closing of this offering only against payment in immediately available funds.

Ownership of interests in the Rule 144A Global Notes (the "**Rule 144A Restricted Book-Entry Interests**") and in the Regulation S Global Notes (the "**Regulation S Book-Entry Interests**" and, together with the Rule 144A Restricted Book-Entry Interests, the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream, or persons that hold interests through such participants or otherwise in accordance with applicable transfer restrictions set out in the Indenture governing the Notes and any applicable securities laws of any state of the United States or any other jurisdiction. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of certificated Notes.

Book-Entry Interests will be shown on, and transfers thereof will be done only through, records maintained in book-entry form by Euroclear and Clearstream and their respective participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the owners or "holders" of Notes under the Indenture for any purpose.

So long as the Notes are held in global form, the Common Depositary for Euroclear and/or Clearstream (or its nominees), as applicable, will be considered the sole holders of Global Notes for all purposes under the Indenture. In addition, participants in Euroclear and/or Clearstream must rely on the procedures of Euroclear and/or Clearstream, as the case may be, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders under the Indenture.

None of the Issuer, the Guarantors, the Initial Purchasers, the Trustee, the Paying Agent, the Calculation Agent, the Registrar, the Transfer Agent nor any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Redemption of the Global Notes

In the event any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream (or their respective nominee), as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The

Common Depositary will surrender such Global Note to the Paying Agent for a cancellation or, in the case of a partial redemption, the Common Depositary will request the Paying Agent or the relevant Paying Agent to mark down, endorse and return the applicable Global Note to reflect the reduction in the principal amount of such Global Note as a result of such partial redemption. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate; *provided*, *however*, that, subject to applicable procedures of Euroclear and Clearstream, no Book-Entry Interest of less than €100,000 in principal amount may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional interest, if any) to the Paying Agent who will make payment to or to the order of the Common Depositary or its nominee for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their customary procedures. The Issuer will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of the Notes—Additional Amounts*". If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Notes—Additional Amounts*", the Issuer will pay additional amounts as may be necessary in order that the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer, the Guarantors, the Trustee, the Paying Agent, the Calculation Agent, the Transfer Agent, the Registrar and any of their respective agents will treat the registered holders of the Global Notes (*i.e.*, the Common Depositary (or its nominee)) as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer, the Guarantors nor the Trustee, the Registrar, the Transfer Agent, the Paying Agent, the Calculation Agent nor any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- any other matter relating to the actions and practices of Euroclear, Clearstream or any participant or indirect participant;
- Euroclear and/or Clearstream, as applicable, or any participant or indirect participant; or
- the records of the Common Depositary.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants as is now the case with securities held for the accounts registered in "street name".

Currency of Payment for the Global Notes

Except as may otherwise be agreed between Euroclear and/or Clearstream and any holder, the principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests in such Notes through Euroclear and/or Clearstream in euros.

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. Neither the Issuer, the Guarantors nor the Trustee nor the Initial Purchasers, the Trustee, the Registrar, the Transfer Agent, the Paying Agent, the Calculation Agent nor any of their respective agents will be liable to any holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment. Holders may be subject to foreign exchange risks that may have economic and tax consequences to them. See "*Risk Factors—Unfavorable fluctuations in foreign currency exchange rates may adversely affect our business, financial condition and results of operations*".

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for definitive registered Notes in certificated form (the "**Definitive Registered Notes**"), and to distribute such Definitive Registered Notes to its participants.

Transfers

Transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of Euroclear and Clearstream and their respective direct or indirect participants, which rules and procedures may change from time to time.

The Global Notes will bear a legend to the effect set forth in "*Transfer Restrictions*". Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers as discussed in "*Transfer Restrictions*".

Transfers of Restricted Book-Entry Interests to persons wishing to take delivery of Restricted Book-Entry Interests will at all times be subject to the transfer restrictions contained in the legend appearing on the face of the Rule 144A Global Note, as set forth in "*Transfer Restrictions*".

Restricted Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144A or any other exemption (if available) under the Securities Act.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Restricted Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

The Notes represented by the Global Notes are expected to be listed on the Euro MTF Market. Transfers of interests in the Global Notes between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures, which rules and operating procedures may change from time to time.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee, the Paying Agent, the Transfer Agent, the Calculation Agent, the Registrar or any of their respective agents will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Definitive Registered Notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive Definitive Registered Notes if:

- Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue as depositary for the Global Notes, and the Issuer fails to appoint a successor;
- Euroclear or Clearstream so requests following an event of default under the Indenture; or
- the owner of a Book-Entry Interest requests such exchange in writing delivered through either Euroclear or Clearstream, as applicable, following an event of default under the Indenture.

Euroclear has advised the Issuer that upon request by an owner of a Book-Entry Interest, its current procedure is to request that the Issuer issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Registrar will issue Definitive Registered Notes (subject to receipt of the same from the Issuer), registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend set forth in "*Transfer Restrictions*", unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, the Issuer, the Trustee, the Paying Agent, the Calculation Agent, the Registrar and the Transfer Agent shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time on the register maintained by the Registrar, and such registration is a means of evidencing title to the Notes.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Note by surrendering it to the Registrar. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred, and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the holder, as applicable; provided that no Definitive Registered Note in a denomination less than €100,000 and in integral multiples of €1,000, in excess thereof, will be issued. The Issuer will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes. Holders of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of a Transfer Agent, the Issuer will issue and the Trustee (or its authenticating agent) will authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. The Issuer or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and the Issuer to protect the Issuer, the Trustee, the Paying Agent or the Registrar appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer, the Registrar and/or the Trustee may charge for the expenses of replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer pursuant to the provisions of the Indenture, the Issuer in its discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only in accordance with the Indenture and, if required, only after the transferor first delivers to the Transfer Agent a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "*Transfer Restrictions*".

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any issuance of Definitive Registered Notes in a newspaper having general circulation in Luxembourg (*which is expected to be the d'Wort*). Payment of principal, any repurchase price, premium and interest on Definitive Registered Notes will be payable at the office of the Paying Agent so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require.

Global Clearance and Settlement under the Book-Entry System

Initial Settlement

Initial settlement for the Notes will be made in euros. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional euro bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the Business Day following the settlement date against payment for value of the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving Notes through Euroclear or Clearstream on days when those systems are open for business.

In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same Business Day as in the United States. U.S. investors who wish to transfer their interests in the Notes, or to receive or make a payment or delivery of Notes, on a particular day, may find that the transactions will not be performed until the next Business Day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

Clearing Information

The Issuer expects that the Notes will be accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers and common codes numbers for the Notes are set out under "*Listing and General Information*".

Information Concerning Euroclear and Clearstream

The following description of the operations and procedures of Euroclear and Clearstream is provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. Neither the Issuer, the Trustee, the Paying Agent, the Calculation Agent, the Transfer Agent, the Registrar nor the Initial Purchasers nor their respective agents take any responsibility for these operations and procedures and the Issuer urges investors to contact the systems or their participants directly to discuss these matters.

The Issuer understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream also interface with domestic securities markets in several countries. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Euroclear and Clearstream have no record of or relationship with persons holding through their account holders. Since Euroclear and Clearstream only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The Issuer understands that, under existing industry practices, if either the Issuer or the relevant Trustee requests any action by owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give or take any action that a holder is entitled to give or take under the Indenture, Euroclear and Clearstream would authorize participants owning the relevant Book-Entry Interest to give or take such action, and such participants would authorize indirect participants to give or take such action or would otherwise act upon the instructions of such indirect participants.

The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the Rule 144A Global Notes only through Euroclear or Clearstream participants.

CERTAIN ERISA CONSIDERATIONS

General

The Employee Retirement Income Security Act of 1974 ("**ERISA**") imposes certain requirements on employee benefit plans subject to Title I of ERISA and on entities that are deemed to hold the assets of such plans within the meaning of 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA, or otherwise ("**ERISA Plans**"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including, but not limited to, the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the plan.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts) (together with ERISA Plans, ("**Plans**")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and/or other penalties and liabilities under ERISA and the Code.

Any Plan fiduciary which proposes to cause a Plan to purchase the Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such purchase and holding will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

Non-U.S. plans, governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and Section 4975 of the Code, may nevertheless be subject to non-U.S., state, local or other federal laws or regulations that are substantially similar to the foregoing provisions of ERISA and the Code ("**Similar Law**"). Fiduciaries of any such plans should consult with their counsel before purchasing the Notes to determine the need for, and the availability, if necessary, of any exemptive relief under any such law or regulations.

Prohibited Transaction Exemptions

The fiduciary of a Plan that proposes to purchase and hold any Notes should consider, *inter alia*, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a party in interest or a disqualified person, (ii) the sale or exchange of any property between a Plan and a party in interest or a disqualified person, or (iii) the transfer to, or use by or for the benefit of, a party in interest or disqualified person, of any Plan assets. Depending on the satisfaction of certain conditions which may include the identity of the Plan fiduciary making the decision to acquire or hold the Notes on behalf of a Plan, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code or Prohibited Transaction Class Exemption ("**PTCE**") 84-14 (relating to transactions effected by a "**qualified professional asset manager**"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by insurance company general accounts) or PTCE 96-23 (relating to transactions directed by an in-house asset manager) (collectively, the "**Class Exemptions**") could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. However, there can be no assurance that any of these Class Exemptions or any other exemption will be available with respect to any particular transaction involving the Notes.

Accordingly, by acceptance of a Note, each purchaser and subsequent transferee of a Note will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the Notes constitutes assets of any Plan or Plan subject to Similar Law or (ii) the acquisition and holding of the Notes by such purchaser or transferee will not constitute or result in a non-exempt prohibited transaction under ERISA and the Code or similar violation under any applicable Similar Law.

Each purchaser or transferee of Notes that is a Plan shall be deemed to represent, warrant and agree that (i) none of the Issuer, the Initial Purchaser, the Trustee, the Security Agent, the Registrar, the

Listing Agent, the Paying Agent, the Calculation Agent or the Transfer Agent, nor any of their affiliates, has provided, and none of them will provide, any investment recommendation or investment advice on which it, or any fiduciary or other person investing the assets of the Plan ("**Plan Fiduciary**"), has relied as a primary basis in connection with its decision to invest in the Notes, and they are not otherwise acting as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Plan or the Plan Fiduciary in connection with the Plan's acquisition of the Notes; and (ii) the Plan Fiduciary is exercising its own independent judgment in evaluating the investment in the Notes

The foregoing discussion is general in nature and is not intended to be all inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Notes on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, the Code and any Similar Laws to such investment and whether an exemption would be applicable to the purchase and holding of the Notes.

CERTAIN TAX CONSIDERATIONS

The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in Italy and the United States and does not purport to address the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

Prospective purchasers of the Notes are advised to consult with their own tax advisors as to the tax consequences of a purchase of Notes including, without limitation, the consequences of receipt of interest and premium paid (if any), and the sale or redemption of the Notes or any interest therein.

The summaries set forth below are based upon, as applicable, Italy or United States law as in effect on the date of this Offering Memorandum and are subject to any change in such law that may take effect after such date. References in this section to holders of the Notes include the beneficial owners of the Notes. The statements regarding Italy and United States law and practices set forth below assume that the Notes will be issued, and the transfers thereof will be made, in accordance with the Indenture.

OECD Common Reporting Standards

The Organization for Economic Co-operation and Development ("**OECD**") has developed a common reporting standard ("**CRS**") to achieve a comprehensive and multilateral automatic exchange of information on a global basis. A number of jurisdictions (including Italy) signed the OECD's multilateral competent authority agreement ("**OECD Agreement**") to automatically exchange information under the CRS.

The CRS requires certain financial institutions to report information regarding certain accounts (which may include the Notes credited to such accounts) to their local tax authority and follow related due diligence procedures. A jurisdiction that has signed the OECD Agreement may provide this information to other jurisdictions that have signed the OECD Agreement.

Consequently, holders of the Notes may be requested to provide certain information and certifications to any financial institution resident in a jurisdiction that has signed the OECD Agreement (including Italy) through which payments on the Notes are made.

The holder of Notes should consult their professional advisors on the individual impact of CRS.

Certain Italian Tax Considerations

The statements herein regarding taxation are based on the laws and the interpretation thereof in force in Italy as of the date of this Offering Memorandum and are subject to any changes in law or the interpretation thereof occurring after such date, which could be made on a retroactive basis. The Issuer will not update this summary to reflect changes in laws and if such changes occur the information in this summary could become invalid. The following is a general summary only of certain material Italian tax consequences of the purchase, ownership and disposal of the Notes for Italian resident and non-Italian resident holders although it is not intended to be, nor should it be constructed to be, legal or tax advice. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules.

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes, including, in particular, the effect of any state, regional and local tax laws. In any case, Italian legal concepts may not be identical to the concepts described by the same English term as they exist under terms of different jurisdictions and any legal concept expressed by using the relevant Italian term shall prevail over the corresponding concept expressed in English terms.

Certain Italian Tax considerations on Interest

Italian Decree No. 239/1996 sets forth the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price; hereinafter, for the purposes of the discussion under "*Certain Italian Tax Considerations*" collectively referred to as "**Interest**") deriving from Notes falling within the category of bonds (*obbligazioni*) and securities similar to bonds (*titoli similari alle obbligazioni*), pursuant to Article 44 of Italian Presidential Decree No. 917 of December 22, 1986, as amended and supplemented ("**Decree No. 917**"), to the extent that, *inter alia*, (i) the Notes are listed, at the Issue Date, on a qualifying regulated market or on a multilateral trading platform of (a) EU Member States or of (b) States party to the EEA Agreement and included in the White List of countries allowing for adequate exchange of information with Italy provided for by Italian Ministerial Decree dated September 4, 1996, as amended from time to time, or, as from the tax year in which the Ministerial Decree to be issued under Article 11, paragraph 4, lett. c) of Decree No. 239/1996 will be effective, listed among the countries therein included ("**New White List**"), or (ii) the Notes are subscribed, transferred to, and held only by qualified investors as defined under Article 100 of the Italian Financial Act.

Under Article 44, paragraph 2, letter c), of Decree 917, bonds and securities similar to bonds (*titoli similari alle obbligazioni*) are securities that incorporate an unconditional obligation for the issuer to actually pay, at maturity (or at any earlier full redemption of the securities), an amount not lower than their nominal/face value/principal and that do not provide for any right of direct or indirect participation in, or control over, the management of the issuer or of the business in connection with which they are issued.

Italian Resident Noteholders

Holders of the Notes not engaged in an entrepreneurial activity

Where an Italian resident beneficial owner of the Notes (an "**Italian Resident Noteholder**") is:

(a) an individual not engaged in an entrepreneurial activity to which the Notes are connected;

(b) a partnership (other than a *società in nome collettivo* or *società in accomandita semplice* or similar partnership) or a de facto partnership not carrying out commercial activities (*società semplice*) or professional association;

(c) a private or public entity (other than a company) or a trust not carrying out commercial activities (other than Italian undertakings for collective investment); or

(d) an investor exempt from Italian corporate income taxation;

the Interest relating to the Notes, accrued during the relevant holding period, is subject to a substitute tax (referred to as "***imposta sostitutiva***"), levied at the rate of 26 percent, unless the relevant Italian Resident Noteholder holds the Notes in a discretionary investment portfolio managed by an authorized intermediary and, under certain conditions, has validly opted for the application of the "Risparmio gestito" regime provided for by Article 7 of Italian Legislative Decree No. 461 of November 21, 1997 ("**Decree No. 461/1997**") (see "*Certain Italian Tax Consideration on Capital Gains on the Notes—Italian resident noteholders—Risparmio gestito regime*" below).

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity to which the Notes are effectively connected or social security entities pursuant to Legislative Decree No. 509 of June 30, 1994 and No. 103 of February 10, 1996, may be exempt from any income taxation, including the *imposta sostitutiva* on Interest, if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth by Article 1 (100-114) of Italian Law No. 232 of December 11, 2016, as subsequently amended and supplemented – including by Article 136 of Law Decree No. 34 of 19 May 2020 – (the "**Finance Act 2017**"), by Article 1 (210-215) of Italian Law. No. 145 of December 30, 2018, as subsequently amended and supplemented (the "**Finance Act 2019**"), and, for long-term individual savings accounts established from January 1, 2020, by Article 13 bis of Law Decree No. 124 of October 26, 2019, converted into Law with amendments by Law No. 157 of December 19, 2019, as subsequently amended and supplemented – including by Article 136 of Law Decree No. 34 of 19 May 2020 – (the "**Law Decree No. 124**").

Noteholders engaged in an entrepreneurial activity

In the event that Italian-resident noteholders described under clauses (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax. Interest will be subject to 26% *imposta sostitutiva* on a provisional basis and will then be included in the relevant Italian resident noteholder's annual income tax return. As a consequence, Interest will be subject to the ordinary income tax and *imposta sostitutiva* may be recovered as a credit that can be offset against the income tax due. Where a noteholder is an Italian resident company or similar commercial entity, a commercial partnership or a permanent establishment in Italy of a non-resident company to which the Notes are effectively connected, and the Notes together with the relevant coupons are timely deposited with an Intermediary (as defined below), Interest on the Notes will not be subject to *imposta sostitutiva*. Interest must, however, be included in the relevant noteholder's income tax return and is therefore subject to general Italian income tax according to the ordinary tax rules and, in certain circumstances, depending on the "status" of the noteholder, also to regional tax on productive activities ("**IRAP**").

Italian real estate investment funds and real estate close-ended investment companies (società di investimento a capitale fisso, or "SICAF")

Payments of Interest deriving from the Notes made to Italian real estate investment funds ("**RE Funds**") and real estate close-ended investment companies ("**RE SICAF**"), provided that the Notes, together with coupons relating thereto, are timely deposited directly or indirectly with an Intermediary (as defined below), are subject neither to *imposta sostitutiva* nor to any other income tax at the level of the RE Fund or RE SICAF. However, subsequent distributions made in favor of unitholders or shareholders of RE Funds or RE SICAFs and/or income realized upon redemption or disposal of the relevant units or shares will be subject, in certain circumstances, to a withholding tax at a rate of 26 percent. Moreover, subject to certain conditions and depending on the status and percentage of participation held, income realized by RE Funds and RE SICAFs is attributed to the relevant investors and subject to tax in their hands irrespective of its actual collection and in proportion to the percentage of ownership of units/shares on a tax transparency basis.

Investment Funds, SICAVs and non-real estate SICAFs

Where an Italian-resident noteholder is an open-ended or a closed-ended collective investment fund other than a RE Fund ("**Fund**"), an open ended investment company (*società di investimento a capitale variabile*, or "**SICAV"**) or a non-real estate SICAF established in Italy and either (i) the Fund, the SICAV or the non-real estate SICAF or (ii) their manager is subject to a form of supervision of the competent regulatory authority, and the Notes, together with their relevant coupons, are timely deposited with an authorized Intermediary (as defined below), Interest accrued during the holding period on the Notes should not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund, the SICAV or the non-real estate SICAF (as the case may be). The Fund, the SICAV or the non-real estate SICAF will not be subject to taxation on such management results. A 26% withholding tax will apply in certain circumstances to income realized by unitholders or shareholders (as applicable), in case of distributions, redemptions or sales of the relevant units or shares of the Fund, SICAV or non-real estate SICAF.

Pension funds

Where an Italian resident holder of a Note is a pension fund (that is subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of December 5, 2005, as subsequently amended) and the Notes, together with the relevant coupon, are deposited with an authorized Intermediary (as defined below), Interest relating to the Notes and accrued during the holding period will not be subject to the *imposta sostitutiva*, but the entire amount of such Interest must be included in the result of the pension fund accrued at the end of the relevant tax period, to be subject to a 20% substitute tax (the "**Pension Fund Tax**").

Subject to certain conditions and requirements (including minimum holding period requirement) and several limitations (including amount and composition of the capital investment), Interest relating to the Notes may be excluded from the taxable base of the Pension Fund Tax if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth by Article 1 (100-114) of the Finance Act 2017, by Article 1 (210-215) of the Finance Act 2019, and, for long-term individual savings accounts established from January 1, 2020, by Article 13 *bis* of Law Decree No. 124.

Application of the imposta sostitutiva

Pursuant to Decree No. 239/1996, the 26% *imposta sostitutiva* is applied by banks, *societa di intermediazione mobiliare* ("**SIM**"), fiduciary companies, *societa di gesione del risparmio* ("**SGR**"), stockbrokers and other qualified entities, identified by a decree of the MEF (each, an "**Intermediary**").

An Intermediary must:

(a) (i) be resident in Italy, or (ii) be a permanent establishment in Italy of a non-Italian resident financial intermediary; or (iii) be an entity or a company not resident in Italy, acting through a system of centralized administration of securities and directly connected with the Italian Tax Authorities having appointed an Italian representative for the purposes of Decree No. 239/1996; and

(b) participate, in any way, in the collection of Interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change in ownership of the relevant Notes or in a change in the intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by the relevant Italian financial intermediary (or permanent establishment in Italy of a non-Italian resident financial intermediary) paying Interest to a noteholder or, absent that, by the Issuer.

Non-Italian Resident Holders of Notes

Where the noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are effectively connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident noteholder is:

(a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy, included in the White List; or

(b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or

(c) an institutional investor, whether or not subject to tax, which is established in a country which allows for a satisfactory exchange of information with Italy, included in the White List, even if it does not possess the status of a taxpayer in its own country of establishment; or

(d) a central bank or an entity which manages, *inter alia*, the official reserves of a foreign State.

In order to ensure gross payment, non-Italian resident noteholders without a permanent establishment in Italy to which the Notes are effectively connected must be the beneficial owners of the payments of Interest or certain non-Italian resident institutional investors and must timely deposit the Notes, together with the coupons relating to such Notes, directly or indirectly with:

(a) an Italian or foreign bank or a financial institution (which could be a non-EU resident—the "**First Level Bank**"), acting as intermediary in the deposit of the Notes indirectly held by the noteholder with a Second Level Bank (as defined below); or

(b) an Italian resident bank or brokerage company (SIM), or a permanent establishment in Italy of a non-resident bank or a SIM, acting as depositary or sub-depositary of the Notes appointed to maintain direct relationships, via telematic link, with the Italian Tax Authorities (the "**Second Level Bank**"). Non-Italian resident organizations and companies, acting through a system of centralized administration of securities and directly connected with the Italian Tax Authorities (which include Euroclear and Clearstream) are treated as Second Level Banks, provided that they appoint an Italian representative (i.e. an Italian-resident bank or SIM, or permanent establishment in Italy of a non-resident bank or SIM, or a central depositary of financial instruments pursuant to Article 80 of Legislative Decree No. 58 of February 24, 1998) for the purposes of the application of Decree No. 239/1996. In the event that a non-Italian resident noteholder deposits the relevant Notes directly with a Second Level Bank, the latter shall be treated both as a First Level Bank and a Second Level Bank.

The exemption from the *imposta sostitutiva* for non-Italian resident noteholders is conditional upon:

- the timely deposit of the Notes, either directly or indirectly, with an institution which qualifies as a Second Level Bank; and

- the timely submission to the First Level Bank or the Second Level Bank (as the case may be) of a statement of the relevant noteholder (*autocertificazione*), to be provided only once, in which it declares, *inter alia*, that it is the beneficial owner of any interest on the Notes or an institutional investor (even if not subject to tax) and it is eligible to benefit from the exemption from the *imposta sostitutiva*.

Such statement must comply with the requirements set forth by Ministerial Decree dated December 12, 2001, is valid until withdrawn or revoked (unless some information provided therein has changed) and does not need to be submitted where a certificate, declaration or other similar document for the same or equivalent purposes was previously submitted to the same depository. The above statement is not required for non-Italian resident investors that are international bodies or entities set up in accordance with international agreements entered into force in Italy referred to in paragraph (b) above or Central Banks or entities also authorized to manage the official reserves of a State referred to in paragraph (d) above. Additional requirements may be provided for "institutional investors" referred to in paragraph (c) above (see Circulars of the Revenue Agency No. 23/E of March 1, 2002 and No. 20/E of March 27, 2003).

The *imposta sostitutiva* will be applicable at the rate of 26% to interest paid to non-Italian resident noteholders who do not qualify for the foregoing exemption or do not timely and properly satisfy the relevant conditions and procedural requirements provide for the exemption to apply.

Noteholders who are subject to the *imposta sostitutiva* may, nevertheless, be eligible for full or partial relief under an applicable double tax treaty entered into by Italy and the State of tax residence of the relevant noteholder, if more favorable, subject to timely filing of required documentation provided by Regulation of the Director of Italian Revenue Agency No. 2013/84404 of July 10, 2013.

Certain *Italian Tax* Considerations on Capital Gains on the Notes

Capital Gains Realized by Italian Resident Holders of Notes

Noteholders not engaged in an entrepreneurial activity

Where an Italian-resident noteholder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected, (ii) a non-commercial partnership (*società semplice*) or (iii) a non-commercial private or public institution, any capital gain realized by such noteholder from the sale or redemption of the Notes would be subject to the *imposta sostitutiva* provided for by Decree No. 461/1997, levied at the rate of 26 percent. The Noteholders may set off any capital losses with their capital gains, subject to certain conditions.

In respect of the application of the *imposta sostitutiva* on capital gains, the above-mentioned taxpayers may opt, under certain conditions, for any of the three regimes described below.

Tax Declaration Regime

Under the "tax declaration" regime (*regime della dichiarazione*), which is the ordinary regime for taxation of capital gains realized by Italian-resident individuals not engaged in entrepreneurial activity to which the Notes are connected, the 26% *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realized by the Italian-resident individual pursuant to all sales or redemptions of the Notes carried out during any given tax year. Such Italian-resident individuals must indicate the overall capital gains realized in any tax year, net of any relevant incurred capital loss, in their annual tax return and pay the *imposta sostitutiva* on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains of the same nature realized in any of the four succeeding tax years.

Risparmio amministrato regime

As an alternative to the tax declaration regime, Italian-resident individuals not holding the Notes in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realized on each sale or redemption of the Notes (the *risparmio amministrato* regime provided for by Article 6 of Decree No. 461/1997). Such separate taxation of capital gains is allowed subject to:

(a) the Notes being deposited with Italian banks, SIMs or certain authorized financial intermediaries (or permanent establishment in Italy of foreign intermediaries); and

(b) a valid express election for the *risparmio amministrato* regime being punctually made in writing by the relevant holder of the Notes.

The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realized on each sale or redemption of the Notes (as well as in respect of capital gains realized upon the revocation of its mandate), net of any relevant incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the holder of the Notes or using funds provided by the holder of the Notes for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted only from capital gains subsequently realized, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the holder of the Notes is not required to declare the capital gains or losses in its annual tax return.

Risparmio gestito regime

Any capital gains derived by Italian-resident individuals not holding the Notes in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorized intermediary and have opted for the so-called "*risparmio gestito*" regime, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realized, at year-end, subject to a 26% substitute tax, to be paid by the managing authorized intermediary. Under the *risparmio gestito* regime, any decrease in value of the managed assets accrued at year-end may be carried forward against any increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the noteholder is not required to declare the capital gains or losses realized in its annual tax return.

Subject to certain conditions and requirements (including minimum holding period requirement) and several limitations (including amount and composition of the capital investment), capital gains on the Notes may be exempt from any income tax (including *imposta sostitutiva* to the rate of 26 percent) if the Noteholder is an Italian resident individual not engaged in entrepreneurial activity and the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth by Article 1 (100-114) of the Finance Act 2017, by Article 1 (210-215) of the Finance Act 2019, and, for long-term individual savings accounts established from 1 January 2020, by Article 13 *bis* of Law Decree No. 124.

Noteholders engaged in an entrepreneurial activity

Any capital gains obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the holder, also as part of the net value of production for IRAP purposes) if realized by: (i) an Italian company or a similar commercial entity; (ii) an Italian resident commercial partnership; (iii) the Italian permanent establishment of foreign entities to which the Notes are effectively connected; or (iv) an Italian resident individual engaged in an entrepreneurial activity to which the Notes are connected.

Italian RE Funds and RE SICAFs

Any capital gains realized by a noteholder which qualifies as an Italian RE Fund or as an Italian RE SICAF are exempt from any income tax at the level of the RE Fund or RE SICAF. However, a withholding or substitute tax at a rate of 26% will apply, in certain circumstances, to income realized by unitholders or shareholders of the RE Fund/RE SICAF in the event of distributions on, or the redemptions or sales of, the relevant units or shares. Subject to certain conditions and depending on the status and percentage of participation held, income realized by RE Funds and RE SICAFs is attributed to the relevant investors and subject to tax in their hands, irrespective of its actual collection and in proportion to the percentage of ownership of units on a tax transparency basis.

Investment Funds, SICAVs and non-real estate SICAFs

Any capital gains realized by a noteholder which qualifies as a Fund, a SICAV or a non real-estate SICAF, will not be subject to *imposta sostitutiva* at the level of such entities, but will be included in the result of the relevant portfolio accrued at the end of the relevant tax period. A 26% withholding tax will apply in certain circumstances to income realized by the relevant unitholders or shareholders (as applicable), in case of distributions, redemptions or sales of the relevant units or shares of the Fund, SICAV or non-real estate SICAF.

Pension funds

Any capital gains derived by a noteholder which is an Italian pension fund (subject to the regime provided for by Article 17, paragraph 2, of Legislative Decree No 252 of December 5, 2005) will be included in the result of the pension fund accrued at the end of the relevant tax period and subject to the 20 percent Pension Fund Tax. Subject to certain conditions and requirements (including minimum holding period requirement) and several limitations (including amount and composition of the capital investment), income relating to the Notes may be excluded from the taxable base of the Pension Fund Tax if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth by Article 1 (100-114) of the Finance Act 2017, by Article 1 (210-215) of the Finance Act 2019, and, for long-term individual savings accounts established from January 1, 2020, by Article 13 *bis* of Law Decree No. 124.

Capital Gains Realized by Non-Italian Resident Holders of Notes

The 26% *imposta sostitutiva* on capital gains may in certain circumstances be payable on any capital gains realized upon sale, transfer or redemption of the Notes by non-Italian resident individuals and corporations without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, pursuant to Article 23, first paragraph, letter f), of Decree No.917, any capital gains realized by non-Italian resident persons, without a permanent establishment in Italy to which the Notes are effectively connected, through the sale for consideration or redemption of the Notes are not subject to taxation in Italy to the extent that the Notes are traded on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (i.e. a self-declaration stating that the person is not resident in Italy for tax purposes) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Notes are deposited, even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

Where the Notes are not traded on a regulated market in Italy or abroad and are held in Italy, pursuant to the provisions of Decree No. 461/1997, non-Italian resident holders of the Notes without a permanent establishment in Italy to which the Notes are effectively connected are exempt from *imposta sostitutiva* in the Republic of Italy on any capital gains realized upon sale for consideration or redemption of the Notes if they are (i) resident, for tax purposes, in a country which recognizes the Italian fiscal authorities' right to an adequate exchange of information, included in the White List, or (ii) an international body or entity set up in accordance with international agreements which have entered into force in Italy, or (iii) an institutional investor, whether or not subject to tax, which is established in a country which is included in the White List, even if it does not possess the status of a taxpayer in its own country of establishment, or (iv) a central bank or an entity which manages, *inter alia*, the official reserves of a foreign State

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected hold Notes with an Italian authorized financial intermediary and are subject to the *risparmio amministrato* regime or elect for the *risparmio gestito* regime, exemption from Italian taxation on capital gains will apply upon condition that they file in time with the authorized financial intermediary an appropriate self-declaration stating that they meet the requirement indicated above.

If the above mentioned conditions are not met, capital gains realized by non-Italian resident noteholders without a permanent establishment in Italy to which the Notes are effectively connected, from the disposal or redemption of Notes issued by an Italian-resident issuer and not traded on a regulated market, may be subject to the *imposta sostitutiva* at the current rate of 26 percent. However, noteholders may be able to benefit from an applicable double tax treaty with Italy providing that capital gains realized upon the sale or redemption of the Notes are taxed only in the country where the recipient is tax resident, subject to satisfying certain conditions.

Under these circumstances, if non Italian residents without a permanent establishment in Italy to which the Notes are effectively connected hold Notes with an Italian authorized financial intermediary and are subject to the *risparmio amministrato* regime or elect for *risparmio gestito* regime, exemption from Italian taxation on capital gains will apply upon condition that the non-Italian residents file in time with the authorized financial intermediary appropriate documents which include, *inter alia*, a certificate of residence from the competent tax authorities of their country of residence.

The *risparmio amministrato* regime is the ordinary regime automatically applicable to non-Italian resident persons and entities holding Notes deposited with an Italian intermediary (or permanent establishment in Italy of foreign intermediary), but non-resident holders of the Notes retain the right to waive this regime.

Inheritance and Gift Taxes

Pursuant to Law No. 346/1990 and No. 286/2006, as subsequently amended, transfers of any valuable asset (including shares, bonds or other securities) as a result of gift, donation or succession of Italian residents and of non-Italian residents, but in such latter case limited to assets held within the Italian territory (which, for presumption of law, includes bonds issued by Italian resident issuers), are generally taxed in Italy as follows:

- transfers in favor of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4% on the value of the inheritance or the gift exceeding, for each beneficiary, €1 million;
- transfers in favor of brothers/sisters are subject to the 6% inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, €100 thousand;
- transfers in favor of relatives to the fourth degree or relatives in-law to the third degree are subject to an inheritance and gift tax at a rate of 6% on the entire value of the inheritance or the gift; and
- any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8% on the entire value of the inheritance or the gift.

If the transfer is made in favor of persons with severe disabilities, the tax is levied at the rate mentioned above on the value exceeding, for each beneficiary, €1.5 million.

The transfer of financial instruments as a result of death is exempt from inheritance tax when such financial instruments are included in a long-term saving account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of the Finance Act 2017, by Article 1 (210-215) of the Finance Act 2019, and, for long-term individual savings accounts established from January 1, 2020, by Article 13 *bis* of Italian Law Decree No. 124.

Moreover, an anti-avoidance rule is provided in the case of a gift of assets, such as the Notes, whose sale for consideration would give rise to capital gains to be subject to the substitute tax provided for by Decree No. 461/1997, as subsequently amended. In particular, if the donee sells the securities for consideration within five years from their receipt as a gift, the latter is required to pay the relevant substitute tax as if the gift had never taken place.

Registration Tax

Contracts relating to the transfer of securities, such as Notes, are subject to Italian registration tax as follows: (i) public deeds and notarized deeds executed in Italy are subject to fixed registration tax of €200; (ii) in case of private deeds, the registration tax of €200 applies only in case of use, reference (*enunciazione*) in a subsequent registered deed or voluntary registration.

Stamp Duty

According to Article 13, para. 2-ter of the tariff Part I attached to Presidential Decree No. 642 of October 26, 1972, as amended and supplemented, a yearly 0.20% stamp duty generally applies on communications and reports that Italian financial intermediaries periodically send to their clients in relation to the financial products that are deposited with such intermediaries (the level of tax being determined in proportion to the period of ownership). The Notes are included in the definition of financial products for these purposes. Communications and reports are deemed to be sent at least once a year even if the Italian financial intermediary is under no obligation to either draft or send such communications and reports. In this case, the stamp duty is to be applied on 31 December of each year or in any case at the end of the relationship with the client. At any rate, where no specific exemption applies, a minimum stamp tax of Euro 34.20 is due on a yearly basis.

Based on the wording of the law and the implementing decree issued by the MEF on May 24, 2012, the 0.20% stamp duty does not apply to communications and reports that the Italian financial intermediaries send to investors who do not qualify as “clients” according to the regulations issued by Bank of Italy. Communications and reports sent to this type of investors are subject to the ordinary €2.00 stamp duty for each copy. Moreover, the proportional stamp duty does not apply to communications sent to Pension Funds. The taxable base of the 0.20% stamp duty is the market value or, in the lack thereof, the nominal value or the redemption amount of any financial product or financial instrument (including the Notes).

The stamp duty cannot exceed €14,000 per year if the Notes are held by noteholders other than individuals. Stamp duty applies both to Italian-resident noteholders and to non-Italian-resident noteholders, to the extent that the Notes are held with an Italian-based financial intermediary (and not directly held by the noteholders outside Italy, in which case Italian wealth tax (see below under “Wealth Tax on Notes Deposited Abroad (IVAFE)”) applies to Italian-resident noteholders only).

Wealth Tax on Notes Deposited Abroad (IVAFE)

Pursuant to Decree No. 201/2011, Italian resident individuals, non-commercial entities, including trusts and foundations, and so called *società semplici* (and similar partnerships pursuant to Article 5 of Decree No. 917) holding Notes outside the Italian territory are required to pay wealth tax in Italy (“**IVAFE**”) at a rate of 0.2% (the level of tax being determined in proportion to the period of ownership).

Pursuant to the provision of Article 134 of Law Decree No. 34 of 19 May 2020, the wealth tax cannot exceed €14,000 per year for taxpayers different from individuals. This tax is calculated on the market value of the Notes at the end of the relevant year or, if no market-value figure is available, the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the IVAFE due).

Italian Financial Transactions Tax

Pursuant to Law No. 228 of 24 December 2012, Italian financial transaction tax (“**FTT**”) applies to (a) transfer of ownership of shares and other participating securities issued by Italian resident companies or of financial instruments representing the said shares and/or participating securities (irrespective of whether issued by Italian resident issuers or not) (the “**Relevant Securities**”), (b) transactions on financial derivatives (i) the main underlying assets of which are the Relevant Securities, or (ii) whose value depends mainly on one or more Relevant Securities, as well as to (c) any transaction on certain securities (i) which allow to mainly purchase or sell one or more Relevant Securities or (ii) implying a cash payment determined with main reference to one or more Relevant Securities.

Securities could be included in the scope of application of the FTT if they meet the requirements set out above. On the other hand, securities falling within the category of bonds (*obbligazioni*), such as the Notes, are not included in the scope of the FTT.

Prospective holders of the Notes are strongly advised to seek their own professional advice in relation to the possible application of financial transaction tax in countries other than Italy.

Italian Tax Monitoring Obligations

Italian resident individuals (and certain other non-commercial entities) are required, in certain circumstances, to report in their yearly income tax return, according to Legislative Decree No. 167 of June 28, 1990, converted into law by Law No. 227/1990, for tax monitoring purposes, the amount of securities, including notes, held abroad (or beneficially owned abroad under Italian anti-money laundering provisions). This also applies in the case that at the end of the tax year, securities are no longer held by the above Italian resident individuals and entities.

However, the above reporting obligation is not required in case where (i) the financial assets (including Notes) are deposited for management with Italian banks, SIMs, fiduciary companies or other qualified Italian financial intermediaries and with respect to contracts entered into through their intervention, provided that the same intermediaries apply a withholding tax or *imposta sostitutiva* on any income derived from the securities or (ii) one of such intermediaries intervenes, also as a counterpart, in their transfer, provided that income deriving from such financial assets has been subject to the applicable withholding tax or substitute tax by the same intermediaries.

Payments by Guarantors

If an Italian resident guarantor (if any) makes any payments in respect of interest on the Notes (or any other amounts due under the Notes other than the repayment of principal), in accordance with one interpretation of Italian tax law, any such payments may be subject to Italian withholding tax at the rate of 26% levied as a final tax or a provisional tax ("a titolo d'imposta o a titolo di acconto") depending on the "status" and a tax residence of the beneficial owner of the Notes, pursuant to Italian Presidential Decree No. 600 of 29th September, 1973, as subsequently amended. Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax in case of payments to non-Italian resident Noteholders, subject to compliance with relevant subjective and procedural requirements. In accordance with another interpretation, any such payments made by an Italian resident guarantor should be treated, in certain circumstances, as payments by the Issuer and should thus be subject to the tax regime described above under caption "Certain Italian Tax Considerations on Interest."

With respect to payments made to Italian resident Noteholders by a non-Italian resident guarantor (if any), in accordance with one interpretation, any such payments made by a non-Italian resident guarantor should be treated, in certain circumstances, as income taxable in Italy, depending on the "status" of the beneficial owner of the Notes. According to another interpretation, any such payments made by a non-Italian resident guarantor to Italian resident Noteholders should be treated, in certain circumstances, as payments by the Issuer and should thus be subject to the tax regime described above under caption "Certain Italian Tax Considerations on Interest."

OECD Common Reporting Standards

The EU Savings Directive adopted on June 3, 2003, by the EU Council of Economic and Finance Ministers (as subsequently amended) on taxation of savings income in the form of interest payments has been repealed from January 1, 2016 to prevent overlap between the Savings Directive and the new automatic exchange of information regime implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended, initially, by Council Directive 2014/107/EU and, lastly, by Council Directive 2018/822/EU).

Drawing extensively on the intergovernmental approach to implementing the United States Foreign Account Tax Compliance Act, the OECD developed the Common Reporting Standard ("**CRS**") to address the issue of offshore tax evasion on a global basis. Aimed at maximizing efficiency and reducing cost for financial institutions, the CRS provides a common standard for due diligence, reporting and exchange of financial account information. Pursuant to the CRS, participating jurisdictions will obtain from reporting financial institutions, and automatically exchange with exchange partners on an annual basis, financial information with respect to all reportable accounts identified by financial institutions on the basis of common due diligence and reporting procedures. The first information exchanges began in January 2017.

Italy has enacted Italian Law No. 95/2015 ("**Law 95/2015**"), implementing the CRS (and the amended EU Directive on Administrative Cooperation) Italian Ministerial Decree dated December 28, 2015, which has entered into force on January 1, 2016, implemented Law 95/2015 and provides for the exchange of information in relation to the calendar year 2016 and later.

In the event that holders of the Notes hold the Notes through an Italian financial institution (as meant in the Italian Ministerial Decree of December 28, 2015 implementing Law 95/2015), they may be required to provide additional information to such financial institution to enable it to satisfy its obligations under the Italian implementation of the CRS.

Certain U.S. Federal Income Tax Considerations

The discussion below is a summary of current U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes. The following summary addresses only U.S. Holders (as defined herein) who purchase the Notes at the "issue price" (the first price at which a substantial amount of Notes is sold for money, excluding sales to underwriters, placement agents or wholesalers) in the initial offering and hold the Notes as capital assets within the meaning of Section 1221 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"). This summary does not address the tax consequences to subsequent purchasers of the Notes. No rulings from the U.S. Internal Revenue Service (the "**IRS**") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

As used herein, the term "**U.S. Holder**" means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust (a) that is subject to the primary supervision of a U.S. court and one or more U.S. persons has the authority to control all of the substantial decisions of the trust or (b) that has made a valid election in effect under applicable U.S. Treasury Regulations ("**Treasury Regulations**") to be treated as a U.S. person.

This summary is based upon provisions of the Code and Treasury Regulations, rulings and judicial decisions as of the date hereof, all of which are subject to change (possibly with retroactive effect), so as to result in U.S. federal income tax consequences different from those summarized below. The discussion below does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors (including the impact of the unearned income Medicare contribution tax), nor does it address any tax consequences arising under U.S. federal estate and gift tax laws or under the laws of any state, local, non-U.S. or other taxing jurisdiction. In addition, this summary does not address tax consequences to U.S. Holders who may be subject to special tax treatment, such as banks, dealers, traders that elect to mark to market, insurance companies, financial institutions, regulated investment companies, real estate investment trusts, grantor trusts, investors liable for the alternative minimum tax, U.S. expatriates, tax-exempt entities, persons holding the Notes as part of a hedge, straddle, conversion or other integrated financial transaction, investors in partnerships or other pass-through entities for U.S. federal income tax purposes, U.S Holders subject to special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account in an applicable financial statement or U.S. Holders whose "functional currency" is not the U.S. dollar. If an entity treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. A partner of an entity that is treated as a partnership for U.S. federal income tax purposes and that is considering holding the Notes is urged to consult its own tax advisors regarding the U.S. federal income tax consequences to it of the acquisition, ownership and disposition of the Notes by the partnership.

The summary of U.S. federal income tax consequences set out below is for general information only. Prospective investors should consult their own tax advisors concerning the particular U.S. federal income tax consequences to them of owning the Notes, as well as the consequences to them arising under the laws of any other taxing jurisdiction or due to changes in tax law.

Transactions Related to the Offering

In the case of the Debt Push Company Merger or the Company Merger, as the case may be, the resulting entity will assume the obligations of the Issuer under the Notes. Although the issue is not free from doubt, it is likely that these transactions would not be treated as resulting in a taxable exchange for U.S. federal income tax purposes. If this position is respected, a U.S. Holder would not realize any income, gain or loss in connection with such transactions and would have the same adjusted tax basis in the Notes as the U.S. Holder had in the original Notes exchanged therefor. Moreover, the holding period for the Notes would generally include the holding period for the original Notes.

It is possible, however, that the IRS could take a contrary view, and seek to treat the Debt Push Company Merger or the Company Merger and the assumption of the obligations under the Notes by Company MergerCo or Debt Push MergerCo, as applicable, as resulting in a taxable exchange for U.S. federal income tax purposes. If so, U.S. Holders would recognize any gain or loss in connection with such taxable exchange and would have a new holding period and new tax basis in each series of the Notes for U.S. federal income tax purposes. In addition, if the fair market value of one or more series of the Notes at the time of the Debt Push Company Merger or the Company Merger, as the case may be, is less than the principal amount of such series of Notes (by more than a statutorily defined *de minimis* amount), such series of Notes may be treated as issued with original issue discount, in which case the tax consequences of the ownership and disposition of the Notes described below may be different than what is described below.

U.S. Holders are urged to consult their tax advisors regarding the U.S. federal income tax consequences to them of the Debt Push Company Merger or the Company Merger.

Characterization of the Notes

In certain circumstances the Issuer may be obligated to make payments on the Notes in excess of stated interest and principal. See, for example, "*Description of the Notes—Change of Control*." Although the issue is not free from doubt, it is likely that there is no more than a remote chance that it would make such payments and the Notes should accordingly not be treated as contingent payment debt instruments ("**CPDIs**") for U.S. federal income tax purposes because of these additional payments. Assuming such position is respected, U.S. Holders would be required to include in income the amount of any such additional payments at the time such payments are received or accrued in accordance with their method of accounting for U.S. federal income tax purposes. If the IRS successfully challenged this position, and the Notes were treated as CPDIs, U.S. Holders could be required to accrue interest income at a rate higher than the stated interest rate on the Note and to treat as ordinary income, rather than capital gain, any gain recognized on a sale, exchange or redemption of the Note. Prospective investors are urged to consult their own tax advisors regarding the potential application to the Notes of the CPDI rules and the consequences thereof.

Payments of Stated Interest

General

Stated interest paid by the Issuer on the Notes (including any amounts withheld and any Additional Amounts paid in respect of withholding taxes imposed on payments on the Notes) and OID (as defined below), if any, generally will be considered income from sources outside the United States and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income. Prospective investors should consult their tax advisors concerning the applicability of the U.S. foreign tax credit and source of income rules to income attributable to the Notes.

Euro-Denominated Stated Interest

Each payment of "**qualified stated interest**" (including any amounts withheld and any Additional Amounts paid in respect of withholding taxes imposed on payments on the Notes) will generally be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the U.S. Holder's method of accounting for U.S. federal income tax purposes. The term "**qualified stated interest**" generally means stated interest that is unconditionally payable at least annually at a qualifying rate during the entire term of the Note. Stated interest on the Notes will be treated as qualified stated interest.

The amount of income recognized by a cash basis U.S. Holder with respect to a payment of stated interest denominated in euros will be the U.S. dollar value of the interest payment based on the "**spot rate**" (as such term is defined in Treasury Regulations) on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. A cash basis U.S. Holder generally will not recognize exchange gain or loss on the interest payment but may recognize exchange gain or loss when it disposes of any euros it receives (as discussed below under "*—Disposition of Euros*").

An accrual basis U.S. Holder may determine the amount of income recognized with respect to a payment of stated interest denominated in euros in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average spot rate in effect during the interest accrual period or periods (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within each taxable year). Under the second method, the accrual basis U.S. Holder may elect to determine the amount of income accrued on the basis of the spot rate on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the spot rate on the last day of the portion of the accrual period within each taxable year). Additionally, if the interest payment is actually paid or received within five Business Days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the spot rate on the day of actual payment or receipt. Any such election will apply to all debt instruments held by the U.S. Holder from year to year and cannot be changed without the consent of the IRS.

An accrual basis U.S. Holder who receives a stated interest payment denominated in euros (including a payment attributable to accrued but unpaid interest upon the sale, retirement or other taxable disposition of a Note), may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) in respect of such accrual period and the U.S. dollar value of the amount of such stated interest payment previously accrued during such accrual period, regardless of whether the payment is in fact converted into U.S. dollars. Any such foreign currency exchange gain or loss generally will be treated, for foreign tax credit purposes, as U.S. source income or loss, and generally not as an adjustment to interest income or expense.

Original Issue Discount

The Notes may be issued with original issue discount ("**OID**") for U.S. federal income tax purposes. In such event, U.S. Holders generally will be required to include such OID in gross income (as ordinary income) for U.S. federal income tax purposes on an annual basis under a constant yield accrual method regardless of their regular method of accounting for U.S. federal income tax purposes. As a result, U.S. Holders will include any OID in income in advance of the receipt of cash attributable to such income.

The Notes will be treated as issued with OID if the stated principal amount of the Notes exceeds their issue price (as defined above) by an amount equal to or more than a statutorily defined *de minimis* amount (generally, 0.0025 multiplied by the stated principal amount and the number of complete years to maturity from the issue date). U.S. Holders of the Notes with less than the *de minimis* amount of discount will include the discount on such Notes in income, as capital gain, when principal payments are made on the Note.

In the event that the Notes are issued with OID, the amount of OID includible in income by a U.S. Holder is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion thereof in which such U.S. Holder holds such Note ("**Accrued OID**"). A daily portion is determined by allocating to each day in any "accrual period" a *pro rata* portion of the OID that accrued in such period. The "accrual period" of a Note may be of any length and may vary in length over the term of the Note, *provided* that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or last day of an accrual period. The amount of OID that accrues with respect to any accrual period is the excess of (i) the product of the Note's "adjusted issue price" at the beginning of such accrual period and its yield to maturity, determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of such period, over (ii) the amount of qualified stated interest allocable to such accrual period. The adjusted issue price of a Note at the start of any accrual period is equal to its issue price, increased by the Accrued OID for each prior accrual period.

For the purposes of determining OID accruals and adjusted issue price only, the amounts of stated interest and OID are determined by assuming that the interest rate on the Floating Rate Notes is a fixed rate based on the value of the floating rate applicable to the Floating Rate Notes as of the issue date.

OID, if any, on the Notes will be determined for any accrual period in euros and then translated into U.S. dollars in accordance with either of the two alternative methods applicable to accrual basis U.S. Holders described above under "*—Payments of Stated Interest—Euro Denominated Stated Interest*".

A U.S. Holder will recognize exchange gain or loss when OID is paid (including, upon the sale of a Note, the receipt of proceeds that include amounts attributable to OID previously included in income) to the extent of the difference, if any, between the U.S. dollar value of the Euro payment received, determined based on the spot rate on the date such payment is received, and the U.S. dollar value of the Accrued OID, as determined in the manner described above. Exchange gain or loss generally will be treated as U.S. source ordinary income or loss and generally will not be treated as an adjustment to interest income or expense.

Disposition of Notes

On a sale, retirement or other taxable disposition of a Note, a U.S. Holder will generally recognize gain or loss equal to the difference between (i) the amount realized on the disposition (less any amount equal to any accrued but unpaid stated interest, which will be taxable as stated interest income as described above to the extent not previously included in income by a U.S. Holder) and (ii) the U.S. Holder's adjusted tax basis in the Note. If a U.S. Holder receives foreign currency on such taxable disposition, the amount realized by a U.S. Holder will be the U.S. dollar value of such foreign currency based on the spot rate of exchange on the date of the disposition (or based on the spot rate on the settlement date of the disposition, in the case of Notes traded on an established securities market and taxably disposed of by a cash basis U.S. Holder or an electing accrual basis U.S. Holder).

A U.S. Holder's adjusted tax basis in a Note will generally equal the "U.S. dollar cost" (as defined herein) of the Note to such holder increased by any previously Accrued OID and decreased by any cash payments on the Note other than qualified stated interest. The "U.S. dollar cost" of a Note purchased with foreign currency will generally be the U.S. dollar value of the purchase price based on the spot rate of exchange on the date of purchase (or based on the spot rate of exchange on the settlement date of the purchase, in the case of Notes traded on an established securities market that are purchased by a cash basis U.S. Holder or an electing accrual basis U.S. Holder).

If an accrual method taxpayer makes the election described in the two previous paragraphs, such election must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Except as discussed below with respect to exchange gain or loss on a Note attributable to currency fluctuations, any gain or loss recognized by a U.S. Holder on a taxable disposition of a Note will generally be treated as U.S. source capital gain or loss and will be long-term capital gain or loss if, at the time of the disposition, the Note was held by the U.S. Holder for more than one year. In the case of an individual U.S. Holder, any long-term capital gain will generally be subject to preferential U.S. federal income tax rates. The deductibility of capital losses is subject to significant limitations. Prospective investors should consult their own tax advisors as to the foreign tax credit implications of the sale, retirement or other taxable disposition of the Notes.

The gain or loss that a U.S. Holder realizes on the taxable disposition of a Note that is attributable to fluctuations in currency exchange rates will be taxable as ordinary income or loss and generally will be treated as U.S. source for U.S. foreign tax credit limitation purposes. Such exchange gain or loss will generally equal the difference, if any, between the U.S. dollar value of the purchase price of the Note based on the spot rate of exchange on (i) the date of the disposition and (ii) the date on which the U.S. Holder acquired the Note. In addition, upon the sale, retirement or other taxable disposition of a Note, a U.S. Holder may realize exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest and Accrued OID, if any, which will be treated as discussed above under "*—Payments of Stated Interest*" or "*—Original Issue Discount*", as applicable. In addition, an accrual basis U.S. Holder that does not make the election described above will recognize exchange gain or loss to the extent that there are exchange rate fluctuations between the sale date and the settlement date, and such gain or loss generally will constitute U.S. source ordinary income or loss. However, a U.S. Holder will only realize exchange gain or loss upon the disposition of a Note (including any exchange gain or loss attributable to the principal amount of a Note and any exchange gain or loss attributable to accrued and unpaid stated interest and Accrued OID) to the extent of the total gain or loss realized by such holder on the disposition. Prospective investors should consult their own tax advisors regarding the proper calculation of exchange gain or loss realized in connection with their acquisition and disposition of the Notes.

Disposition of Euros

Euros received as interest on a Note or upon the sale, retirement or other taxable disposition of a Note generally will have a tax basis equal to their U.S. dollar value at the time they are received. Any gain or loss recognized on a sale, retirement or other taxable disposition of the euros (including their use to purchase Notes or upon their exchange for U.S. dollars) will be U.S. source ordinary income or loss.

Satisfaction and Discharge

If we were to obtain a discharge of the Indenture within one year of maturity or the redemption date with respect to all of the Notes then outstanding, as described herein under "*Description of the Notes—Satisfaction and Discharge*" such discharge would generally be deemed to constitute a taxable exchange of the Notes outstanding for other property. In such case, a U.S. Holder would be required to recognize capital gain or loss in connection with such deemed exchange. In addition, after such deemed exchange, a U.S. Holder might also be required to recognize income from the property deemed to have been received in such exchange over the remaining life of the transaction in a manner or amount that is different than if the discharge had not occurred. U.S. Holders should consult their tax advisors as to the specific consequences arising from a discharge in their particular situations.

Tax Return Disclosure Requirements

Treasury Regulations require the reporting to the IRS of certain foreign currency transactions giving rise to losses in excess of a certain minimum amount, such as foreign currency received in respect of a foreign currency note. U.S. Holders should consult their tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

U.S. Holders who are individuals and who own "specified foreign financial assets" with an aggregate value in excess of certain minimum thresholds at any time during the tax year generally are required to file an information report (IRS Form 8938) with respect to such assets with their tax returns. If a U.S. Holder does not file a required IRS Form 8938, such holder may be subject to substantial penalties and the statute of limitations on the assessment and collection of all U.S. federal income taxes of such holder for the related tax year may not close before the date which is three years after the date on which such report is filed. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at certain financial institutions. Under certain circumstances, an entity may be treated as an individual for purposes of these rules.

U.S. Holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership of the Notes, including the significant penalties for non-compliance.

Back-up Withholding and Information Reporting

Generally, information reporting requirements will apply to all payments of principal and interest (including the accrual of OID, if any) on, or the proceeds from a sale of, a Note, unless the U.S. Holder is an exempt recipient, such as a corporation. Additionally, if a U.S. Holder fails to provide its taxpayer identification number, or in the case of interest payments, fails either to report in full dividend and interest income or to make certain certifications, it may be subject to back-up withholding.

U.S. Back-up withholding is not an additional tax. Any amounts withheld under the back-up withholding rules may be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS. U.S. Holders are urged to consult their own tax advisors regarding backup withholding and information reporting requirements relating to their ownership of the Notes.

Foreign Account Tax Compliance Act

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "FATCA") and subject to the Proposed Treasury Regulations discussed below, a "foreign financial institution" may be required to withhold U.S. tax on certain "foreign passthru payments" made after December 31, 2018 to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is six months after applicable final Treasury Regulations defining foreign passthru payments are filed published in the Federal Register generally would be "grandfathered" unless materially modified after such date. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA could apply to payments on the Notes only if there is a significant modification of the Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. Under Proposed Treasury Regulations, any withholding on foreign passthru payments on Notes that are not otherwise grandfathered would apply to passthru payments made on or after the date that is two years after the date of publication in the Federal Register of applicable final Treasury Regulations defining foreign passthru payments. Taxpayers generally may rely on these Proposed Treasury Regulations until final Treasury Regulations are issued. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement (the "**Purchase Agreement**") to be dated on or about the date of this Offering Memorandum, the Issuer has agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from the Issuer the entire principal amount of the Notes.

The obligations of the Initial Purchasers under the Purchase Agreement, including their agreement to purchase the Notes from the Issuer, are several and not joint. The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by counsel. The Issuer has agreed to pay the Initial Purchasers certain customary fees for their services in connection with the Offering and to reimburse them for certain out-of-pocket expenses.

The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Initial Purchasers propose to offer the Notes initially at the price indicated on the cover page hereof. After the initial offering, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Offering price set forth on the cover page hereof.

The Notes and the Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except to QIBs in reliance on Rule 144A and to non-U.S. persons in offshore transactions in reliance on Regulation S. Any offer or sale of Notes in the United States in reliance on Rule 144A will be made by broker-dealers who are registered as such under the Exchange Act. Until 40 days after the later of (i) the commencement of this Offering and (ii) the issue date of the Notes, an offer or sale of the Notes initially sold in reliance on Regulation S within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under "*Transfer Restrictions*".

One or more of the Initial Purchasers may sell through affiliates or other appropriately licensed entities for sales of the Notes in jurisdictions where they are otherwise not permitted, affiliates, including in respect of sales into the United States. To the extent certain of the Initial Purchasers (including, but not limited to, Mediobanca—Banca di Credito Finanziario S.p.A.), are not U.S. registered broker-dealers under Section 15 of the U.S. Exchange Act and intend to effect any sales of the Notes in the United States, they will do so through one or more U.S. registered broker-dealers as permitted by the regulations of the Financial Industry Regulatory Authority and in compliance with all applicable federal or state securities laws of the United States.

Each Initial Purchaser has represented, warranted and agreed that, to the extent applicable, it:

(a) has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the UK Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issuance or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and

(b) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion in relation to the type of clients criteria only that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any Distributor should take into consideration the manufacturers' target market assessment; however, a Distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this Offering Memorandum and resale of the Notes. See "*Notice to U.S. Investors*," "*Notice to Certain European Investors*" and "*Transfer Restrictions*".

United Kingdom

This Offering Memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Promotion Order), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**Relevant Persons**"). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this Offering Memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. No part of this Offering Memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person. The Notes are not being offered to the public in the United Kingdom.

European Economic Area

This Offering Memorandum has been prepared on the basis that all offers of Notes will be made pursuant to an exemption under the Prospectus Regulation from the requirement to produce a prospectus for offers of Notes. In relation to each Member State no offer of Notes to the public in that Member State may be made other than:

(a) to any legal entity which is a Qualified Investor;

(b) to fewer than 150 natural or legal persons other than a Qualified Investor; or

(c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation, provided that no such offer of Notes shall require us or any of the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation. Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for us or any of the Initial Purchasers to produce a prospectus for such offer. Neither we nor the Initial Purchasers have authorized, nor do authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this Offering Memorandum.

For the purposes of this section, the expression an "offer of Notes to the public" in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Italy

The Offering has not been cleared by the CONSOB pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, directly or indirectly, nor may copies of this Offering Memorandum or of any other document relating to the Notes be distributed in Italy, except to (i) qualified investors (*investitori qualificati*) as defined in the Prospectus Regulation and Article 100 of the Consolidated Financial Act; and (ii) in any other circumstances which are exempted from the rules on public offerings pursuant to the Prospectus Regulation, Consolidated Financial Act and the implementing CONSOB Regulations, including the Issuers' Regulation and the CONSOB Regulation on Intermediaries ("**Qualified Investors**").

Qualified Investors are defined under Article 2, letter (e) of the Prospectus Regulation. Qualified Investors are also defined under Article 100 of the Consolidated Financial Act and its implementing regulations (including article 35, paragraph 1(d) of the CONSOB Regulation on Intermediaries) as comprising, among others, the following:

(a) persons authorized and regulated to operate in financial markets, both Italian and foreign, i.e.:

- banks;
- investment firms;
- other authorized and regulated financial institutions;
- insurance companies;
- collective investment undertakings and management companies for such undertakings;
- pension funds and management companies for such funds;
- dealers acting on their own account on commodities and commodity-based derivatives;
- persons dealing exclusively on their own account on financial instruments markets with indirect membership of clearing and settlement services and the local compensatory and guarantee system;
- other institutional investors; and
- stockbrokers.

(b) large companies which at individual company level meet at least two of the following requirements:

- balance sheet total: €20,000,000;
- revenues: €40,000,000; and
- own funds: €2,000,000.

(c) institutional investors whose main activity is investment in financial instruments, including companies dedicated to the securitization of assets and other financial transactions.

Any offer, sale, resale or delivery of the Notes or distribution of copies of this Offering Memorandum or any other document relating to the Notes in the Republic of Italy must be in compliance with the selling restrictions under (i) and (ii) above and:

- made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Consolidated Financial Act, CONSOB Regulation on Intermediaries and the Italian Banking Act; and
- in compliance with any applicable laws and regulations or requirements imposed by CONSOB, the Bank of Italy or other competent Italian authority (including the reporting obligations under Article 129 of the Italian Banking Act, as amended, and the implementing guidelines of the Bank of Italy issued on August 25, 2015, as amended on August 10, 2016 and as further amended from time to time).

The Issuer and the Guarantors have also agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(2) of the Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

The Notes are a new issue of securities for which there currently is no market. We have applied, through our listing agent, to list the Notes on the Official List of the Luxembourg Stock Exchange and to have the Notes admitted to trading on the Euro MTF Market thereof; however, we cannot assure you that the Notes will be approved for listing or that such listing will be maintained.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law after completing the Offering. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—An active trading market may not develop for the Notes, which may limit your ability to sell the Notes*".

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be eleven Business Days (as such term is used for purposes of Rule 15c6-1 of the Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "**T**+11"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two Business Days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Memorandum or the next nine succeeding Business Days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the Offering size, which creates a short position for the relevant Initial Purchasers. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions.

Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—An active trading market may not develop for the Notes, which may limit your ability to sell the Notes*".

The Initial Purchasers and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial investment banking, financial advising, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers or their respective affiliates from time to time have provided in the past, are currently providing and may provide in the future, investment banking, lending, consultancy, financial advisory, commercial banking and cash management services to the Issuer and its affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions, including in connection with the Revolving Credit Facility, the Guarantee Facility and the bridge financing they have committed to provide in connection with the financing of the Transactions in the event the Offering is not consummated. See "*Description of Certain Financing Arrangements*". The Initial Purchasers or their affiliates may also receive allocations of the Notes. Some of the Initial Purchasers and/or their respective affiliates were lenders to the Company and have been repaid as part of the Transactions. Each of the Initial Purchasers (or one of their affiliates) is a lender under the Senior Secured Bridge Facility and will receive proceeds from the Notes in repayment thereof.

The Initial Purchasers and/or their respective affiliates and parent companies have engaged, and may in the future engage, in lending, advisory, investment banking, corporate finance services, commercial banking transactions and/or other commercial dealings with, and may provide services to, us and our affiliates, in the ordinary course of business to the Issuer (including its parent and group companies), the Company (including its parent and group companies) and/or to companies directly and/or indirectly involved in the Transactions. In addition, in the ordinary course of their business activities, the Initial Purchasers and/or their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and instruments of the Issuer, the Company, or their affiliates and/or to companies directly and/or indirectly involved in the Transactions. If the Initial Purchasers or their respective affiliates have a lending relationship with the Issuer, they routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers and/or their affiliates may also make investment recommendations and publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and short positions in such securities and instruments. Furthermore, Mediobanca—Banca di Credito Finanziario S.p.A. acted as financial advisor to (i) SOFIMA in the context of the purchase of SOFIMA's shares by BC Partners (ii) IMA Bidco in the context of the MTO.

TRANSFER RESTRICTIONS

Because of the following restrictions, you are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes offered hereby.

The Notes and the Guarantees have not been and will not be registered under the Securities Act, or any state securities laws, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and other applicable state securities laws. Accordingly, the Notes offered hereby are being offered and sold only to QIBs (as defined in Rule 144A under the Securities Act) in reliance on Rule 144A and in offshore transactions in reliance on Regulation S. Accordingly, the Issuer is offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

(a) in the United States, to "qualified institutional buyers", commonly referred to as "QIBs", as defined in Rule 144A in compliance with Rule 144A; and

(b) outside the United States, to non-U.S. persons in offshore transactions in accordance with Regulation S.

The Issuer uses the terms "offshore transaction", "U.S. person" and "United States" with the meanings given to them in Regulation S.

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer, each Guarantor and the Initial Purchasers as follows:

(1) It understands and acknowledges that (i) the Notes and the Guarantees have not been registered under the Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A and, (ii) unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set out in paragraphs (5) and (7) below.

(2) It is neither the Issuer's "affiliate" (as defined in Rule 144), nor acting on its behalf and that either:

    (a) it is a QIB, within the meaning of Rule 144A, and is aware that any sale of these Notes to it will be made in reliance on Rule 144A, and such acquisition will be for its own account or for the account of another QIB; or

    (b) it is purchasing the Notes in an offshore transaction in accordance with Regulation S.

(3) It understands and acknowledges that none of the Issuer, the Guarantors or the Initial Purchasers, nor any person representing any of them, has made any representation to it with respect to the Issuer and its subsidiaries or the offer or sale of any of the Notes, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It acknowledges that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this Offering Memorandum. It has had access to such financial and other information concerning the Issuer and its subsidiaries and the Notes that it deems necessary in connection with its decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.

(4) It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the Securities Act, or in any transaction not subject to the Securities Act.

(5) It agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to

agree, to offer, sell or otherwise transfer such Notes (in the case of Regulation S Notes, prior to the date (the "Resale Restriction Termination Date") that is after the later of the Issue Date and the last date on which such Notes (or any predecessor thereto) were first offered to persons other than distributors (as defined in Rule 902 under the U.S. Securities Act)) only (i) to the Issuer; (ii) pursuant to a registration statement that has been declared effective under the Securities Act; (iii) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A; (iv) pursuant to offers and sales that occur outside the United States in offshore transactions in compliance with Regulation S; or (v) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the Issuer and the Trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (v) above to require the delivery of an opinion of counsel, certification and other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

(6) Each purchaser acknowledges that each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, (1) REPRESENTS THAT (A) IT IS A "**QUALIFIED INSTITUTIONAL BUYER**" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**")) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION PURSUANT TO RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, [*IN THE CASE OF REGULATION S NOTES*: PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS SECURITY WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S)], ONLY (A) TO THE ISSUER OR THE GUARANTORS, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND OTHER INFORMATION SATISFACTORY TO EACH OF THEM.

A purchaser of Notes will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(7) It understands that the issuance of Additional Notes under the Indenture may have the effect of extending the Resale Restriction Termination Date.

(8) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on the transfer of such Notes.

(9) It acknowledges that until 40 days after the commencement of the offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

(10) It acknowledges that the Registrar will not be required to accept for registration or transfer any Notes acquired by it except upon presentation of evidence satisfactory to the Issuer and the Registrar that the restrictions set out therein have been complied with.

(11) It acknowledges that the Issuer, the Guarantors, the Initial Purchasers and others will rely upon the truth and accuracy of the acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Notes are no longer accurate, it shall promptly notify the Issuer and the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

(12) It understands that no action has been taken in any jurisdiction (including the United States) by the Issuer, the Guarantors or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set out under "*Plan of Distribution*" and "*Notice to Certain European Investors*".

Persons who come into possession of this Offering Memorandum are advised to inform themselves about and to observe any restrictions relating to the offering, the distribution of this Offering Memorandum and resale of the Notes. See "*Important information for investors*," and "*Plan of distribution*."

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND THE NOTES COLLATERAL AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

The following is a summary of certain insolvency rules and certain limitations on the validity, effectiveness and enforceability of the Guarantees and security interests in each of the jurisdictions in which the Issuer the Guarantors and the Transaction Security Providers are organized. In particular, the following includes a brief description of certain aspects of bankruptcy, insolvency and certain other applicable regulations in the European Union and Italy. It is a summary only and does not include a full description of all regulations which may limit the validity, effectiveness and enforceability of the Guarantees and security interests.

It should be noted that bankruptcy, insolvency or similar proceedings, schemes and/or events could be conducted or could occur in any of these jurisdictions, as well as in other jurisdictions. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Guarantee and/or other security. In particular, under the EU regulations and regulations of EU member states, the insolvency (bankruptcy) proceedings may be initiated not only in the country where the entity is registered (incorporated) but also in other EU member states where the bankrupt entity conducts its business activity. Irrespective of the attempts to harmonize the bankruptcy regulations in EU Member States, the regulations in various states differ and the insolvency (bankruptcy) proceedings conducted in more than one state may create additional legal risks and costs for you.

In the event that the Issuer or the Guarantors experience financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions bankruptcy, insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

European Union

The Issuer and the Guarantors are incorporated and organized under the laws of a Member State of the European Union.

Regime Applicable to Insolvency Proceedings Opened after June 26, 2017

On June 5, 2015, Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015, on insolvency proceedings (recast), as amended (the "**Recast EU Insolvency Regulation**") was published on the Official Gazette of the European Union.

The Recast EU Insolvency Regulation applies within the European Union, other than Denmark, to insolvency proceedings opened on or after June 26, 2017 and with respect to a company whose COMI is located in a Member State.

Main Insolvency Proceedings

Pursuant to Article 3(1) of the Recast EU Insolvency Regulation, the court with jurisdiction to open insolvency proceedings in relation to a debtor that has its "center of main interests" ("**COMI**") (as that term is used in Article 3(1) of the Recast Insolvency Regulation) in a Member State is the court of the Member State (other than Denmark) within which the center of the debtor's main interests is situated. However, pursuant to Article 4 of the Recast EU Insolvency Regulation, a court requested to open insolvency proceedings will be required to examine whether it has jurisdiction pursuant to Article 3. Such court's decision may be challenged by the debtor or any creditor on grounds of international jurisdiction. The COMI is defined as "the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties".

COMI is not a static concept and may change from time to time, but is determined for the purposes of deciding which court has competent jurisdiction to open main insolvency proceedings at the time of the request to open insolvency proceedings: moreover, the determination of where a debtor has its COMI is a question of fact on which the courts of the different Member States may have differing and even conflicting views. Article 3(1), paragraph 2, provides, in most cases, for a rebuttable presumption that a company's COMI is in the jurisdiction where its registered office is located. In order to prevent fraudulent or abusive forum shopping, such presumption only applies if the registered office has not been moved to another Member State within the three-month period prior to the request of the opening of insolvency proceedings. Otherwise, the presumption shall not apply, and the court which shall have jurisdiction to open insolvency proceedings in relation to a company will be the court of the Member State (other than Denmark) within which the company had its registered office before moving it.

Specifically, Recital 30 of the Recast Insolvency Regulation contains a number of examples of where a presumption as to the COMI may be rebutted: for instance, where the company's central administration is located in a Member State other than that of its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and of the management of its interests is located in that other Member State. In that respect, the factors that courts may take into consideration when determining the COMI of a debtor can include where board meetings are held, the location where the debtor conducts the majority of its business or has its head office and the location where the majority of the debtor's creditors are established and where they recognize as being the center of the company's operations.

If the COMI of a company is, at the time of the request to open insolvency proceedings located in the same Member State as its registered office, the main insolvency proceedings with respect to the company under the Recast EU Insolvency Regulation would be commenced in such jurisdiction and, accordingly, a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the Recast EU Insolvency Regulation. As noted in Preamble 10, Annex A to the Recast EU Insolvency Regulation has been extended to include insolvency proceedings that promote the rescue of economically viable but financially distressed businesses (such as, with respect to Italian insolvency proceedings, restructuring agreements with creditors (*accordi di ristrutturazione*), crisis resolution process of the consumer overindebtedness (*procedure di composizione della crisi da sovraindebitamento del consumatore*) and winding-up (*liquidazione dei beni*)).

Furthermore, pursuant to Article 6 of the Recast EU Insolvency Regulation, the courts of the Member State in which insolvency proceedings have been opened in accordance with Article 3 have jurisdiction for any action that derives directly from the insolvency proceedings and is closely linked with them, such as avoidance actions.

Secondary Insolvency Proceedings

Insolvency proceedings opened in one Member State under the Recast EU Insolvency Regulation must be recognized in the other Member States (other than Denmark), although secondary proceedings may be opened in other Member States. If the COMI of a debtor is in one Member State (other than Denmark), under Article 3(2) of the Recast EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open "secondary" or "territorial" insolvency proceedings only in the event that such debtor has an "establishment" in the territory of such other Member State. Secondary proceedings may be any insolvency proceeding listed in Annex A of the Recast Insolvency Regulation and for the avoidance of doubt, are not limited to winding-up proceedings. Territorial proceedings are, in effect, secondary proceedings which are commenced prior to the opening of main insolvency proceedings. "**Establishment**" is defined in Article 2(10) of the Recast EU Insolvency Regulation as any place of operations where a debtor carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. Accordingly, the opening of secondary insolvency proceedings or territorial insolvency proceedings in another Member State (other than Denmark) will also be possible if the debtor had an establishment in such Member State in the three-month period prior to the request for opening of main insolvency proceedings.

The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other Member State. Where main proceedings in the Member State (other than Denmark) in which the debtor has its COMI have not yet been commenced, territorial insolvency proceedings may only be commenced in another Member State (other than Denmark) where the debtor has an establishment where either (i) insolvency proceedings cannot be commenced in the Member State in which the debtor's COMI is situated under the conditions laid down by that Member State's law; or (ii) the opening of territorial insolvency proceedings is requested by (a) a creditor whose claim arises from or is in connection with the operation of an establishment situated within the territory of the Member State where the opening of territorial proceedings is requested, or (b) a public authority which, under the law of the Member State within the territory of which the establishment is situated, has the right to request the opening of insolvency proceedings. When main insolvency proceedings are opened, territorial insolvency proceedings become secondary insolvency proceedings. Irrespective of whether the insolvency proceedings are main or secondary or territorial insolvency proceedings, such proceedings will, subject to certain exceptions, be governed by the *lex fori concursus*, (i.e., the local insolvency law of the court that has assumed jurisdiction over the insolvency proceedings of the debtor).

The courts of all Member States (other than Denmark) must recognize the judgment opening insolvency proceedings of the court commencing proceedings (subject to any public policy exception). The judgment of the court commencing main proceedings will produce the same effects in the other Member States (other than Denmark) as under the law of the Member State (other than Denmark) commencing main proceedings, so long as no secondary insolvency proceedings or territorial insolvency proceedings have been commenced in that other Member State and subject to certain other exceptions (e.g. rights in rem situated in another Member State remain subject to the original law governing that right). The insolvency practitioner appointed or confirmed by a court in the Member State, which has jurisdiction to commence main proceedings, may exercise the powers conferred on it by the laws of that Member State in another Member State (other than Denmark) (such as to remove assets of the debtor from that other Member State). These powers are subject to certain limitations (e.g., the powers are available provided that no insolvency proceedings have been commenced in that other Member State nor any preservation measure to the contrary has been taken there further to a request to commence secondary proceedings in that other Member State where the debtor has assets).

However, under Article 36 of the Recast EU Insolvency Regulation, the insolvency receiver in the main insolvency proceedings may prevent the opening of secondary insolvency proceedings in another Member State by giving a unilateral undertaking in respect of the assets located in the Member State in which secondary insolvency proceedings could be opened. For this purpose, the insolvency receiver must undertake to comply with the distribution and priority rights under the relevant national law and from which the local creditors would benefit if the insolvency proceeding was opened in the Member State where the assets are located. Such undertaking must be made in writing and is subject to approval by a majority of local creditors, determined in accordance with applicable local laws. If approved, the undertaking is binding on the insolvent estate and if a court is requested to open secondary insolvency proceedings, it should refuse to open such proceeding if it is satisfied that the undertaking adequately protects the general interests of local creditors.

Insolvency Proceedings Involving Members of a Group of Companies

The Recast EU Insolvency Regulation provides for a cooperation and communication mechanism with the concept of "group coordination proceedings" in the event that insolvency proceedings concerning two or more members of a group of companies are opened in EU Member States (other than Denmark). Under Article 61 of the Recast Insolvency Regulation, group coordination proceedings may be requested before any court having jurisdiction over the insolvency proceedings of a member of the group, by an insolvency receiver appointed in insolvency proceedings opened in relation to a member of the group. Insolvency receivers appointed in proceedings concerning a member of the group will cooperate with any insolvency receiver appointed in proceedings concerning another member of the group to the extent that such cooperation is appropriate. Similarly, the court which has opened proceedings shall also cooperate with any other court before which a request is made to open proceedings concerning another member of the group, to the extent that cooperation is appropriate to facilitate the effective administration of the proceedings, is not incompatible with the rules applicable to them and does not entail any conflict of interest.

Further, an insolvency receiver appointed in insolvency proceedings concerning a member of a group of companies will cooperate and communicate with any court with jurisdiction over the insolvency proceedings of another group member. The Recast EU Insolvency Regulation also contains provisions for the proposal and implementation of a group coordination plan and group coordination proceedings, which are designed and implemented by a group coordinator. Participation in the group coordination plan is not compulsory for group members, and there are safeguards to preserve the sovereignty of the applicable law and courts of each group members' insolvency proceedings.

Applicability

In the event that the Issuer or any its subsidiaries experience financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations of the Issuer.

Republic of Italy

Introduction

The following is a brief description of certain aspects of insolvency law in Italy, which does not include special provisions applying to banks, insurance and other companies authorized to carry out certain reserved activities nor does it provide a comprehensive description of insolvency laws application where publicly-owned companies are involved.

Recently a comprehensive reform of the Italian insolvency laws and of the regulation of over-indebtedness crises has been introduced (“**2019 Reform**”). In particular, the Italian Senate approved Law No. 155 dated October 19, 2017, pursuant to which it has authorized the government to carry out a substantial reform of Italian insolvency laws and, in particular, the Royal Decree No. 267 of March 16, 1942, as subsequently amended and supplemented and currently in force (the “**Italian Bankruptcy Law**”), on the basis of several guidelines. The purpose of the 2019 Reform was mostly to (i) ensure the rationality of the provisions on insolvency, affected over the years by various amendments (especially in the civil sector) which caused a great degree of legal uncertainty, (ii) allow early awareness of the financial distress of a business and (iii) safeguard the business’ entrepreneurial potential during a crisis. Italian Legislative Decree No. 14 of January 12, 2019 (the “**Code of Business Crisis and Insolvency**”), which implemented the Italian Law No. 155 dated October 19, 2017 and substantially reformed the Italian Bankruptcy Law was published in the Official Gazette No. 38 of February 14, 2019.

Except for minor changes in some provisions of the Italian Civil Code (and certain express repeals in the criminal sector) which already entered into force on March 16, 2019, according to Article 389 of the Code of Business Crisis and Insolvency, it was supposed to enter into force 18 months following its publication in Italy’s Official Gazzette (i.e., 14 August 2020). Nevertheless, in response to the COVID-19 pandemic, such entry into force has been currently postponed to September 1, 2021, according to Article 5 of the Law Decree No. 23 of 8 April 2020 (the so-called “**Restore Liquidity Decree**”), converted into law No. 40 of June 5, 2020. Until that date, insolvency proceedings will continue to be governed by the Italian Bankruptcy Law and other insolvency laws, as in force.

Certain Italian Insolvency Law Considerations

Certain Italian Insolvency Laws Applicable Prior to Implementation of the Code of Business Crisis and Insolvency

The Issuer, the Guarantors and the Transaction Security Providers are incorporated in the Republic of Italy and, in the event of an insolvency event affecting any of these entities, insolvency proceedings may be initiated in Italy. In Italy, the courts play a central role in the insolvency process and in-court procedures may be materially more complex and time-consuming than in equivalent situations in jurisdictions with which investors may be familiar.

The following is a brief description of certain aspects of insolvency law in Italy. Apart from the 2019 Reform, the Italian Bankruptcy Law was repeatedly amended in the past years. Certain provisions of Italian law have been amended or have entered into force only recently and, therefore, may be subject to further implementation and/or interpretations and have not been tested to date in the Italian courts. In this respect, the most recent reform has been approved by the Italian Government on June 23, 2015, through a Law Decree containing urgent reforms applicable, *inter alia*, to Italian bankruptcy law (the “**Decree 83/2015**”). The Decree 83/2015 entered into force in June 2015 and has been converted into law by Law No. 132/2015 (the “**Law 132/2015**”). Law 132/2015 entered into force on August 21, 2015.

The two primary aims of the Italian Bankruptcy Law are to liquidate the debtor’s assets and protect the goodwill of the going concern (if any) for the satisfaction of creditors’ claims as well as, in case of the

"*Prodi-bis*" procedure or "*Marzano*" procedure, to maintain employment. These competing aims have often been balanced by selling businesses as going concerns and ensuring that employees are transferred along with the businesses being sold. However, the Italian Bankruptcy Law has been recently amended with a view to promoting rescue procedures rather than liquidation focusing on the continuity and survival of financially distressed businesses and enhancing pre-bankruptcy restructuring options.

Under the Italian Bankruptcy Law, bankruptcy must be declared by a court, based on the insolvency (*insolvenza*) of a company upon a petition filed by the company itself, the public prosecutor and/or one or more creditors. Insolvency occurs when a debtor is no longer able to regularly meet its obligations as they become due. This must be a permanent, and not a temporary, state of insolvency in order for a court to hold that a company is insolvent.

In cases where a company is facing financial difficulties or temporary cash shortfall or, more generally, financial distress, it may be possible for it to enter into out-of-court arrangements with its creditors, which may safeguard the existence of the company, but which are susceptible to being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions.

In addition, the following forms of debt restructuring and bankruptcy are available under Italian law for companies in a state of crisis and for insolvent companies.

Restructuring Outside of a Judicial Process (*concordati stragiudiziali*)

Restructuring generally takes place through a formal judicial process because it is more favorable for the debtor and because informal arrangements put in place as a result of an out-of-court restructuring are vulnerable to being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions. However, in cases where a company is solvent, but facing financial difficulties, it may be possible to enter into an out-of-court arrangement with its creditors, which may safeguard the existence of the company.

Out-of-Court Reorganization Plans (*piani di risanamento*) pursuant to Article 67, paragraph 3(d) of the Italian Bankruptcy Law

Out-of-court debt restructuring agreements are based on restructuring plans (*piani di risanamento attestati*) prepared by companies in order to restructure their indebtedness and to ensure the recovery of their financial condition. An independent expert appointed by the debtor has to verify the feasibility of the restructuring plan and the truthfulness of the business and accounting data provided by the company. The expert must possess certain specific professional requisites and qualifications and meet the requirements set forth by Article 2399 of the Italian Civil Code and may be subject to liability in case of misrepresentation or false certification.

The terms and conditions of these plans are freely negotiable, provided that they are finalized at restructuring the debtor's indebtedness and rebalancing its capital structure. Unlike in-court pre-bankruptcy agreement proceedings and debt restructuring agreements, out-of-court reorganization plans pursuant to Article 67, paragraph 3(d) of the Italian Bankruptcy Law do not offer the debtor any protection against enforcement proceedings and/or precautionary actions of third-party creditors. The Italian Bankruptcy Law provides that, should these plans fail and the debtor subsequently declared bankrupt, the payments and/or acts carried out for the implementation of the reorganization plan, subject to certain conditions: (i) are not subject to claw-back action; and (ii) are exempted from certain potentially applicable criminal sanctions. Neither ratification by the court nor publication in the companies' register are needed (although publication in the companies' register is possible upon a debtor's request and would allow for certain tax benefits) and, therefore, the risk of bad publicity or disvalue judgments are lower than in case of an in-court pre-bankruptcy agreement or a debt restructuring agreement.

Debt Restructuring Agreements with Creditors (*accordi di ristrutturazione dei debiti*) pursuant to Article 182-bis of the Italian Bankruptcy Law

Out-of-court agreements for the restructuring of indebtedness entered into with creditors representing at least 60% of the outstanding company's debts can be ratified by the court. An independent expert appointed by the debtor must assess the truthfulness of the business and accounting data provided by the company and declare that the agreement is feasible and, particularly, that it ensures that the debts of the non-participating creditors can be fully satisfied within 120-day term from: (i) the date of ratification of the agreement by the court, in the case of debts which are due and payable to the non-participating creditors as of the date of the sanctioning (*omologazione*) of the debt restructuring agreement by the court; and (ii) the date on which the relevant debts fall due, in case of receivables which are not yet due and payable to the non-participating creditors as of the date of the sanctioning (*omologazione*) of the debt restructuring agreement by the court. Only a debtor who is insolvent or in a state of crisis (i.e., facing financial distress which does not yet amount to insolvency) can initiate this process and request the court's sanctioning (*omologazione*) of the debt restructuring agreement entered into with its creditors.

The agreement is published in the companies' register and is effective as of the day of its publication. Starting from the date of such publication and for 60 days thereafter, creditors cannot start or continue any interim relief or enforcement actions over the assets of the debtor and cannot obtain any security interest (unless agreed) in relation to preexisting debts. The moratorium can be requested, pursuant to Article 182-bis, paragraph 6 of the Italian Bankruptcy Law, by the debtor from the court pending negotiations with creditors (prior to the above-mentioned publication of the agreement), subject to the fulfillment of certain conditions. Such moratorium request must be published in the companies' register and becomes effective as of the date of publication. The court, having verified the completeness of the documentation, sets the date for a hearing within 30 days of the publication and orders the company to supply the relevant documentation in relation to the moratorium to the creditors. In such hearing, the court assesses whether the conditions for granting the moratorium are in place and, if they are, orders that no interim relief or enforcement action may be started or continued, nor can security interests (unless agreed) be acquired over the assets of the debtor, and sets a deadline (not exceeding 60 days) within which the restructuring agreement has to be filed. The court's order may be challenged within 15 days of its publication. Within the same time frame, an application for the *concordato preventivo* (as described below) may be filed, without prejudice to the effect of the *moratorium*.

The Italian Bankruptcy Law does not expressly provide for any indications concerning the contents of the debt restructuring agreement. The plan can therefore provide, *inter alia*, either for the prosecution of the business by the debtor or by a third party, or the sale of the business to a third party, and may contain refinancing agreements, moratoria, write-offs and/or postponements of claims. The debt restructuring agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes. Creditors and other interested parties may oppose the agreement within 30 days from the publication of the agreement in the companies' register. The court will, after having settled the oppositions (if any), validate the agreement by issuing a decree, which may be appealed within 15 days of its publication.

The Decree 83/2015, as amended by Law 132/2015 modified the basis for calculation of the 60% of the outstanding debtor's debt threshold required for courts' sanctioning of debt restructuring agreements (*accordi di ristrutturazione dei debiti*), easing the requirements with respect to financial creditors.

Pursuant to the new Article 182-*septies* of the Italian Bankruptcy Law, introduced by the Decree 83/2015, as amended by Law 132/2015, debtors whose financial indebtedness is at least 50% of their total indebtedness are entitled to enter into debt restructuring agreements obtaining the approval of financial creditors representing at least 75% of the aggregate financial claims of the relevant category and ask the court to declare such agreement binding on the dissenting financial creditors belonging to the same category (so called "cram down"), subject to certain conditions being met, including that treatment of dissenting creditors is not worse than under any other available alternative. If the abovementioned conditions are met, then the remaining 25% of non-participating financial creditors belonging to the same class of creditors are crammed down; however, crammed down creditors can challenge the deal and refuse to be forced into it, on the basis of the lack of homogeneity of the classes of creditors. Similarly, a standstill agreement (*convenzione di moratoria*) entered into between a debtor and financial creditors representing 75% of that debtor's aggregate financial indebtedness would also bind the non-participating financial creditors, provided that an independent expert certifies the homogeneity of the classes and subject to certain conditions being met. The purpose is to prevent financial creditors with modest credits from blocking restructuring operations involving more exposed financial creditors, resulting in the failure of the overall restructuring and the opening of a procedure.

Financial creditors who did not participate in the agreement may challenge it within 30 days of receipt of the application.

Such debt restructuring agreements and standstill agreements will not affect the rights of non-financial creditors (e.g. trade creditors) who cannot be crammed down and must be paid within 120 days if not participating to a scheme.

The debtor may also enter into a standstill agreement with its creditors which are banks and financial intermediaries by which also the non-consenting banks and financial intermediaries are bound, provided that: (i) they have been informed of the ongoing negotiations and have been allowed to participate to such negotiations in good faith; and (ii) an expert meeting the requirements provided under Article 67, paragraph 3, letter (d) of the Italian Bankruptcy Law certifies that the non-consenting banks and financial intermediaries have legal status and economic interests similar to those of the banks and financial intermediaries which have agreed to the standstill agreement. The banks and financial intermediaries which have not agreed to the standstill agreement may file an objection (*opposizione*) to it within 30 days after having been notified of the same.

In no case the debt restructuring agreement provided under article 182-*septies* of the Italian Bankruptcy Law or the standstill agreement may impose new obligations, the granting of new overdraft facilities, the maintenance of the possibility to utilize existing facilities or the utilization of new facilities on third party creditors.

Pursuant to Article 182-*quater* of the Italian Bankruptcy Law, financing granted to the debtor pursuant to the approved debt restructuring agreement (or a court-supervised Pre-Bankruptcy Composition with Creditors) enjoys priority status in cases of subsequent bankruptcy (such status also applies to financing granted by shareholders, but only up to 80% of such financing). Financing granted “in view of” (i.e., before) presentation of a petition for a debt restructuring agreement or a court-supervised Pre-Bankruptcy Composition with Creditors may be granted such priority status provided that it is envisaged by the relevant plan or agreement and that such priority status is expressly provided for by the court at the time of approval of the plan or sanctioning (*omologazione*) of the agreement.

Pursuant to Article 182-*quinquies*, paragraphs 1 and 4, of the Italian Bankruptcy Law, after filing of an agreement pursuant to Article 182-*bis*, paragraph 1 or of a petition pursuant to Article 182-*bis*, paragraph 6, of the Italian Bankruptcy Law or of a petition pursuant to Article 161, paragraph 1 or 6, of the Italian Bankruptcy Law (in relation to the court supervised pre bankruptcy composition with creditors (*concordato preventivo*) described below), the court may authorize the debtor to: (i) incur new super-senior (so called *prededucibile*) indebtedness, subject to an expert certifying that such financing is functional to the averall restructuting process, (ii) secure such indebtedness via *in rem* security (*garanzie reali*) or by assigning claims, provided that the expert appointed by the debtor, having verified the overall financial needs of the company until the sanctioning (*omologazione*), issued a report in which they declare that the new financial indebtedness aims to achieve a better satisfaction of the creditors.

The provision of Article 182-*quinquies* of the Italian Bankruptcy Law applies to both debt restructuring agreement and to the court-supervised pre-bankruptcy compositions with creditors (*concordato preventivo*) outlined below.

Furthermore, according to Article 182-*quinquies*, paragraph 3 of the Italian Bankruptcy Law, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-*bis*, paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-*bis*, paragraph 6 of the Italian Bankruptcy Law or after the filing of a petition pursuant to Article 161, paragraph 6, of the Italian Bankruptcy Law (in relation to the court supervised pre bankruptcy composition with creditors (*concordato preventivo*) described below), also in absence of the plan pursuant to Article 161, paragraph 2, letter (e) of the Italian Bankruptcy Law, the court may also authorize the debtor to incur in new super-senior (so called *pre-deducibile*) indebtedness, aimed at supporting urgent financial needs related to the company’s business. The debtor, while filing such request of authorization, is required to specify (i) the purpose of the financing; (ii) that it is unable to otherwise obtain the required funds; and (iii) that the absence of such financing will entail an imminent and irreparable prejudice to the debtor.

Court-Supervised Pre-Bankruptcy Composition with Creditors (*concordato preventivo*)

A company which is insolvent or in a state of crisis (i.e. financial distress which does not yet amount to insolvency) has the option to make a composition proposal to its creditors, under court supervision, in order to compose its overall indebtedness and/or reorganize its business, thereby avoiding a declaration of insolvency and the initiation of bankruptcy proceedings. Such composition proposal can be made by a commercial enterprise which exceeds any of the following thresholds: (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years, (ii) gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years, and (iii) has total indebtedness in excess of €0.5 million. Only the debtor company can initially file a petition with the court for a *concordato preventivo* (together with, *inter alia*, a restructuring plan and an independent expert report assessing the feasibility of the composition proposal and the truthfulness of the business and accounting data provided by the company). The petition for *concordato preventivo* is then published by the debtor in the company's register. From the date of such publication to the date on which the court sanctions the *concordato preventivo*, all enforcement and interim relief actions by the creditors (whose debt became due before the sanctioning of the *concordato preventivo* by the court) are stayed. During this time, all enforcement, precautionary actions and interim measures sought by the creditors, whose title arose beforehand, are stayed. Pre-existing creditors cannot obtain security interests (unless authorized by the court) and mortgages registered within the 90 days preceding the date on which the petition for the *concordato preventivo* is published in the company's register are ineffective against such pre-existing creditors.

The composition proposal filed in connection with the petition may provide for: (i) the restructuring and payment of debts and the satisfaction of creditors' claims (*provided that*, in any case, it shall ensure payment of at least 20% of the unsecured receivables, except for the case of composition with creditors with continuity of the going concern (*concordato con continuità aziendale*) pursuant to Article 186-*bis* of the Italian Bankruptcy Law, including through extraordinary transactions, such as the granting to creditors and to their subsidiaries or affiliated companies of shares, bonds (including bonds convertible into shares), or other financial instruments and debt securities); (ii) the transfer to a receiver (*assuntore*) of the operations of the debtor company making the composition proposal; (iii) the division of creditors into classes; and (iv) different treatment of creditors belonging to different classes.

The composition proposal may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The filing of the petition for the *concordato preventivo* may be preceded by the filing of a preliminary petition for a *concordato preventivo* (so called *concordato in bianco*, pursuant to Article 161, paragraph 6, of the Italian Bankruptcy Law, as amended by Law Decree No. 69/2013 as converted into Law No. 98/2013 ("**Law Decree 69/2013**")). The debtor company may file such petition along with: (i) its financial statements from the latest three financial years; and (ii) the list of creditors with the reference to the amount of their respective receivables, reserving the right to submit the underlying plan, the proposal and all relevant documentation within a period assigned by the court between 60 and 120 days from the date of the filing of the preliminary petition, subject to only one possible further extension of up to 60 days, where there are reasonable grounds for such extension. In advance of such deadline, the debtor may also file a petition for the approval of a debt restructuring agreement (pursuant to Article 182-*bis* of the Italian Bankruptcy Law). If the court accepts such preliminary petition, it may: (i) appoint a judicial commissioner (*commissario giudiziale*) to overview the company, who, in the event that the debtor has carried out one of the activities under Article 173 of the Italian Bankruptcy Law (e.g., concealment of part of assets, omission to report one or more claims, declaration of nonexistent liabilities or commission of other fraudulent acts), shall report it to the court, which, upon further verification, may reject the petition at court for a *concordato preventivo*; and (ii) set forth reporting and information duties of the company during the above-mentioned period.

The debtor may not file such pre-application where it had already done so in the previous two years without the admission to the *concordato preventivo* having followed. The decree setting the term for the presentation of the documentation contains also the periodical information requirements (also relating to the financial management of the company and to the activities carried out for the purposes of the filing of the application and the restructuring plan) that the company has to fulfill, at least on a monthly basis, until the lapse of the term established by the court. The debtor company shall file, on a monthly basis, the company's financial position, which is published the following day in the company's register.

Non-compliance with these requirements results in the application for the composition with creditors being declared inadmissible, and, upon request of the creditors or the public prosecutor and provided that the relevant requirements are verified, in the adjudication of the distressed company into bankruptcy. If the activities carried out by the debtor company appear to be clearly inappropriate to the preparation of the application and the restructuring plan, the court may, *ex officio*, after hearing the debtor and, if appointed, the judicial commissioner, reduce the time for the filing of additional documents.

Following the filing of the preliminary petition and until the decree of admission to the composition with creditors, the distressed company may: (i) carry out acts pertaining to its ordinary activity; and (ii) seek the court's authorization to carry out acts pertaining to its non-recurring activity, to the extent they are urgent. Claims arising from acts lawfully carried out by the distressed company and new super-senior indebtedness authorized by the court, pending the *concordato in bianco*, as well as the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-*bis*, paragraph 1 of the Italian Bankruptcy Law, or after the filing of the moratorium application pursuant to Article 182-*bis*, paragraph 6 of the Italian Bankruptcy Law, also in absence of the plan pursuant to Article 161, paragraph 2, letter (e) of the Italian Bankruptcy Law, aimed at supporting urgent financial needs related to the company's business as recently introduced by Article 1 of the Decree 83/2015, as amended by Law 132/2015, are treated as super-senior (so called *pre-deducibili*) pursuant to Article 111 of the Italian Bankruptcy Law and the related acts, payments and security interests granted are exempted from the claw-back action provided under Article 67 of the Italian Bankruptcy Law. Law No. 9/2014 specified that the super-seniority of the claims—which arise out of loans granted with a view to allowing the filing of the preliminary petition for the composition with creditors (*domanda di pre-concordato*)—is granted, pursuant to Article 111 of the Italian Bankruptcy Law, conditional upon the proposal, the plan and all other required documents being filed within the term set by the court and the company being admitted to the *concordato preventivo* within the same proceeding opened with the filing of the preliminary petition.

The composition proposal may propose that: (i) the debtor's company's business continues to be run by the debtor's company as a going concern; or (ii) the business is transferred to one or more companies and any assets which are no longer necessary to run the business are liquidated (*concordato con continuità aziendale*). In these cases, the petition for the *concordato preventivo* should fully describe the costs and revenue that are expected as a consequence of the continuation of the business as a going concern, as well as the financial resources and support which will be necessary. The report of the independent expert shall also certify that the continuation of the business is conducive to the satisfaction of creditors' claims to a greater extent than if such composition proposal was not implemented.

Furthermore, the going concern-based arrangements with creditors can provide for, *inter alia*, the winding-up of those assets that are not functional to the business allowed. The composition agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

If the court determines that the composition proposal is admissible, it appoints a judge (*giudice delegato*) to supervise the procedure, appoints one or more judicial officers (*commissari giudiziali*) and calls a creditors' meeting. During the implementation of the proposal, the company generally continues to be managed by its board of directors, but is supervised by the appointed judicial officers and judge (who shall authorize all transactions that exceed the ordinary course of business).

The *concordato preventivo* is voted on at a creditors' meeting and must be approved with the favorable vote of (a) the creditors representing the majority of the receivables admitted to vote, and also in the event that the plan provides for more classes of creditors, and (b) the majority of the classes. The *concordato preventivo* is approved only if the required majorities of creditors expressly voted in favor of the proposal. Law 132/2015 abrogated the implied consent rule under which those creditors who, being entitled to vote, did not do so and those who did not express their dissent within 20 days of the closure of the minutes of the creditors' meeting are deemed as consenting to the composition with creditors. Under the current regime, creditors who did not exercise their voting rights in the creditors' meeting can do so (even via e-mail) within 20 days of the closure of the minutes of the creditors' meeting and, after such term, creditors who did not exercise their voting right will be deemed not to approve the *concordato preventivo* proposal. Secured creditors are not entitled to vote on the proposal of *concordato preventivo* unless and to the extent they waive their security, or the *concordato preventivo* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal. The court may also approve the *concordato preventivo* (notwithstanding the circumstance that one or more classes objected to it) if: (i) the majority of classes has approved it; and (ii) the court deems that the interests of the dissenting creditors would be adequately safeguarded through it compared to other solutions. If an objection to the implementation of the *concordato preventivo* is filed by 20% of the receivables giving the right to vote or, in case there are different classes of creditors, by a creditor belonging to a dissenting class, entitled to vote, the court may nevertheless sanction the *concordato preventivo* if it deems that the relevant creditors' claims are likely to be satisfied to a greater extent as a result of the *concordato preventivo* than would otherwise be the case.

The Decree 83/2015, as amended by Law 132/2015, introduced the possibility for creditors (except for individuals or entities controlled, controlling or under common control of the debtor) holding at least 10% of the aggregate claims against a debtor to present an alternative plan to the debtor's plan in a pre-bankruptcy agreement proceedings (*concordato preventivo*) subject to certain conditions being met, including, in particular, that the proposal of the debtor does not ensure recovery of at least (i) 40% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy agreement proposal with liquidation purpose (*concordato liquidatorio*), or (ii) 30% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy agreement proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

To the extent the alternative plan is approved by the creditors and ratified (*omologato*), the court may grant special powers to the judicial commissioner to implement the plan if the debtor does not cooperate, including by taking all corporate actions required.

In addition, Article 163-*bis* of the Italian Bankruptcy Law, introduced by the Decree 83/2015, as amended by Law 132/2015, provides that, if a plan in pre-bankruptcy composition with creditors (*concordato preventivo*), pursuant to Article 161, paragraph 2, letter (e) of the Italian Bankruptcy Law, includes an offer for the sale of the debtor's assets or of a going concern of the debtor to an identified third party, the court opens a competitive bidding process.

If the creditors' meeting does not approve the *concordato preventivo*, the court may, upon request of the public prosecutor or a creditor, and having decided that the appropriate conditions apply, declare the company bankrupt.

Pursuant to article 169-*bis* of the Italian Bankruptcy Law, the debtor may request the competent court to be authorized to terminate outstanding agreements (*contratti ancora ineseguiti o non compiutamente eseguiti*), except for certain agreements which are excluded from the scope of the above provision (e.g., employment agreements (*rapporti di lavoro subordinato*), residential real estate preliminary sale agreements (*contratti preliminari di vendita aventi ad oggetto immobili ad uso abitativo*) and real estate lease agreements (*contratti di locazione di immobili*)). The request may be filed with the competent court at the time of the filing of the application for the *concordato preventivo* or to the judge (*giudice delegato*), if the application is made after admission to the procedure. Upon the debtor's request, the pending agreements can also be suspended for a period of time not exceeding 60 days, renewable just once. In such circumstances, the other party has the right to receive an indemnification equivalent to the damages suffered for the non-fulfillment of the agreement. Such indemnification would be paid prior to and outside of the admission to the *concordato preventivo*.

Bankruptcy (*fallimento*)

A request to declare a debtor company bankrupt and to commence bankruptcy proceedings (*fallimento*) and the judicial liquidation of the debtor's assets can be filed by the debtor itself, any of its creditors and, in certain cases, by the public prosecutor. Insolvency, as defined under the Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations with ordinary means as they come due. The bankruptcy is declared by the competent bankruptcy court. The Italian Bankruptcy Law is applicable only to commercial enterprises (*imprenditori commerciali*) if any of the following thresholds are met: the debtor (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years; (ii) has had gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years; and (iii) has total indebtedness in excess of €0.5 million.

Upon the commencement of bankruptcy proceedings:

(a) subject to certain exceptions, all actions of creditors are stayed and creditors must file claims within a defined period. In particular, under certain circumstances, secured creditors may enforce against the secured property as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds of the secured assets, together with interest and expenses. Any outstanding balance will be considered unsecured and rank *pari passu* with all of the bankrupt's other unsecured debt. The secured creditor may sell the secured asset only after it has obtained authorization from the designated judge (*giudice delegato*). After hearing the bankruptcy receiver and the creditors' committee, the designated judge decides whether to authorize the sale, and sets forth the timing in its decision;

(b) the administration of the debtor and the management of its assets pass from the debtor to the bankruptcy receiver (*curatore fallimentare*);

(c) any act of the debtor company done after a declaration of bankruptcy (including payments made) is ineffective against the creditors;

(d) continuation of business may be authorized by the court if an interruption would cause greater damage to the company, but only if the continuation of the company's business does not cause damage to creditors; and

(e) the execution of certain contracts and/or transactions pending as of the date of the bankruptcy declaration are suspended until the receiver decides whether to take them over. Although the general rule is that the bankruptcy receiver is allowed to either continue or terminate contracts where some or all of the obligations have not been performed by both parties, certain contracts are subject to specific rules expressly provided for by the Italian Bankruptcy Law.

The bankruptcy proceedings are carried out and supervised by a court-appointed bankruptcy receiver, a deputy judge (*giudice delegato*) and a creditors' committee. The bankruptcy receiver is not a representative of any one of the creditors, but is responsible for the liquidation of the assets of the debtor for the satisfaction of the creditors as a whole. The proceeds from the liquidation are distributed in accordance with statutory priority rights. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real estate. In this respect, Law 132/2015 amended the relevant provision of the Italian Bankruptcy Law which sets forth the requirements applicable to the liquidation procedure and as a consequence the timing for the liquidation of a debtor is shortened. The Italian Bankruptcy Law provides for a priority of payment to certain preferential creditors, including administrative costs associated with the bankruptcy proceeding and costs related to the receiver's running of the company, Italian tax and national social security contributions and employee arrears of wages or salary. Such priority of payment is provided under mandatory provisions of Italian law (and, as a consequence, it is untested and it is unlikely that priority of payments such as those commonly provided in intercreditor contractual arrangements would be recognized by an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by applicable law).

Bankruptcy Composition with Creditors (*concordato fallimentare*)

A bankruptcy proceeding can terminate prior to liquidation through a bankruptcy composition proposal with creditors. The relevant proposal can be filed, by one or more creditors or third parties, from the declaration of bankruptcy. By contrast, the debtor or its subsidiaries are only permitted to file such proposal after one year following such declaration, but within two years following the decree giving effectiveness to the liabilities account (*stato passivo*). Secured creditors are not entitled to vote on the proposal of *concordato fallimentare*, unless and to the extent they waive their security, or the *concordato fallimentare* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal.

The proposal may provide for the division of creditors into classes (thereby proposing different treatment among the classes), the restructuring of debts and the satisfaction of creditors' claims in any manner. The *concordato fallimentare* proposal must be approved by the creditors' committee and the creditors holding the majority (by value) of claims (and, if classes are formed, also by a majority (by value) of the claims in a majority of the classes). Final court ratification is also required.

Statutory Priorities

The statutory priority given to creditors under the Italian Bankruptcy Law may be different from that established in the United States, the United Kingdom and certain other EU jurisdictions. Neither the debtor nor the court can deviate from the rules of statutory priority by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles (as a consequence it must be noted that priority of payments such as those commonly provided in intercreditor contractual arrangements may not be enforceable against an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by law). The rules of statutory priority apply irrespective of whether the proceeds are derived from the sale of the entire bankrupt's estate or part thereof, or from a single asset.

Article 111 of the Italian Bankruptcy Law establishes that proceeds of liquidation shall be allocated according to the following order: (i) for payments of "pre-deductible" claims (i.e., claims originated in the insolvency proceeding, such as costs related to the procedure); (ii) for payment of claims which are privileged, such as claims of secured creditors; and (iii) for the payment of unsecured creditors' claims. Under Italian law, the highest priority claims (after the costs of the proceedings are paid) are the claims of preferential creditors including, *inter alia*, a claim whose priority is legally acquired (i.e., repayment of rescue or interim financing, mentioned above), the claims of the Italian tax authorities and social security administrators, and claims for employee wages. The remaining priority claims are those of "privileged" creditors (*creditori privilegiati;* a priority in payment in most circumstances, but not exclusively, provided for by law), mortgagees (*creditori ipotecari*), pledgees (*creditori prignoratizi*) and unsecured creditors (*crediti chirografari*).

Avoidance Powers in Insolvency

Under Italian law, there are "clawback" or avoidance provisions that may lead to, *inter alia*, the revocation of payments made or security interests granted by the debtor prior to the declaration of bankruptcy. The key avoidance provisions include, but are not limited to, transactions made below market value, preferential transactions and transactions made with a view to defrauding creditors. Clawback rules under Italian law are normally considered to be particularly favorable to the receiver in bankruptcy, compared to the rules applicable in other jurisdictions.

In bankruptcy proceedings, depending on the circumstances, the Italian Bankruptcy Law provides for a clawback period of up to either one year or six months in certain circumstances (please note that in the context of extraordinary administration procedures—see below—in relation to certain transactions, the clawback period can be extended to five and three years, respectively) and a two-year ineffectiveness period for certain other transactions.

The Italian Bankruptcy Law distinguishes between acts or transactions that are ineffective by operation of law and acts or transactions that are voidable at the request of the bankruptcy receiver/court commissioner, as detailed below.

(a) *Acts ineffective by operation of law*

 (1) Under Article 64 of the Italian Bankruptcy Law, all transactions entered into for no consideration are ineffective *vis-à-vis* creditors if entered into by the debtor in the two-year period prior to the insolvency declaration. Any asset subject to a transaction which is ineffective pursuant to Article 64 of the Italian Bankruptcy Law becomes part of the bankruptcy estate by operation of law upon registration (*trascrizione*) of the declaration of bankruptcy, without needing to wait until the ineffectiveness of the transaction is sanctioned by a court. Any interested person may challenge the registration before the delegated judge as a violation of law; and

 (2) under Article 65 of the Italian Bankruptcy Law, payments of debts falling due on the day of the declaration of insolvency or thereafter are deemed ineffective *vis-à-vis* creditors if made by the debtor in the two-year period prior to the insolvency declaration.

(b) *Acts that could be declared ineffective at the request of the bankruptcy receiver/court commissioner*

 (1) The following acts and transactions, if done or made during the period specified below, may be clawed back (*revocati*) vis-à-vis the bankruptcy as provided for by article 67 of the Italian

Bankruptcy Law and be declared ineffective unless the other party proves that it had no actual or constructive knowledge of the debtor's insolvency:

(i) the onerous transactions entered into in the year preceding the insolvency declaration, where the value of the debt or of the obligations undertaken by the debtor exceeds by 25% the value of the consideration received by and/or promised to the debtor;

(ii) payments of debts, due and payable, made by the debtor, which were not paid in cash or by other customary means of payment in the year preceding the insolvency declaration;

(iii) pledges and mortgages granted by the bankrupt entity in the year preceding the insolvency declaration in order to secure preexisting debts which have not yet fallen due; and

(iv) pledges and mortgages granted by the bankrupt entity in the six months preceding the insolvency declaration, in order to secure debts which had fallen due.

(2) The following acts and transactions, if done or made during the period specified below, may be clawed back (*revocati*) and declared ineffective if the bankruptcy receiver proves that the other party knew that the bankrupt entity was insolvent at the time of the act or transaction:

(i) the payments of debts that are immediately due and payable and any onerous transactions entered into or made in the six months preceding the insolvency declaration; and

(ii) the granting of security interests securing debts (even those of third parties) and made in the six months preceding the insolvency declaration.

(3) The following transactions are exempt from claw-back actions:

(i) a payment for goods or services made in the ordinary course of business and in accordance with market practice;

(ii) a remittance on a bank account, *provided that* it does not reduce the bankrupt entity's debt towards the bank in a material and lasting manner;

(iii) a sale, including an agreement for sale registered pursuant to Article 2645-*bis* of the Italian Civil Code, currently in force, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship) or a nonresidential property that is intended as the main seat of the enterprise of the purchaser, on the condition that, as of the date of the insolvency declaration, such activity is actually exercised or the investments for the start of such activity have been carried out;

(iv) transactions entered into, payments made and security interests granted with respect to the bankrupt entity's goods, *provided that* they concern the implementation of a *piano di risanamento attestato* (see "*—Out-Of-Court Reorganization Plans (piani di risanamento) Pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law*" above);

(v) a transaction entered into, payment made or security interest granted to implement a *concordato preventivo* (see "*—Court-Supervised Pre-Bankruptcy Composition with Creditors* (*concordato preventivo*)" above) or an *accordo di ristrutturazione dei debiti* under Article 182-bis of the Italian Bankruptcy Law (see "*—Debt Restructuring Agreements with Creditors (accordi di ristrutturazione dei debiti) Pursuant to Article 182-bis of the Italian Bankruptcy Law*" above) and transactions entered into, payments made and security interests granted after the filing of the application for a *concordato preventivo* (see above);

(vi) remuneration payments to the bankrupt entity's employees and consultants; and

(vii) a payment of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to *concordato preventivo* procedures.

In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the bankrupt entity be declared without effect *vis-à-vis* the acting creditors within the Italian Civil Code ordinary clawback period of five years (*revocatoria ordinaria*). Under Article 2901 of the Italian Civil Code, a creditor may demand that transactions through which the bankrupt entity disposed of its assets to the detriment of such creditor's rights be declared ineffective with respect to such creditor, *provided that* the bankrupt entity was aware of such detriment (or, if the transaction was entered into prior to the date on which the creditor's claim originated, that such transaction was fraudulently entered into by the debtor in order to cause detriment of such creditor's rights) and that, in the case of a transaction entered into for consideration with a third person, the third person was aware of such detriment (or, if the transaction was entered into prior to the date on which the creditor's claim originated, such third party participated in the fraudulent scheme). Burden of proof is entirely with the receiver.

Law 132/2015 also introduced new Article 2929-*bis* to the Italian Civil Code, providing for a "simplified" claw-back action for the creditor with respect to certain types of transactions put in place by the debtor with the aim to subtract (registered) assets from the attachment by its creditors. In particular, the creditor can now start enforcement proceedings over the relevant assets without previously obtaining a Court decision clawing back/ nullifying the relevant (fraudulent) transaction, to the extent that such transaction had been carried out without consideration (e.g. gratuitous transfers, or creation of shield instruments such as trusts or the so-called *fondo patrimoniale*—"family trust"). In case of gratuitous transfers, the enforcement action can also be carried out by the creditor against the third-party purchaser.

Impacts of the COVID-19 emergency on Insolvency Proceedings

In response to the COVID-19 pandemic, the Italian Government adopted new urgent measures, *inter alia*, on insolvency matters to (i) preserve the continuity of companies throughout the COVID-19 pandemic and after its end, with particular regard to those that were trading on a going concern basis before the COVID-19 pandemic, and (ii) ensure the successful outcome of certain insolvency proceedings already pending during the COVID-19 pandemic or already approved by the beginning of the COVID-19 pandemic. Among such legislative measures, on April 8, 2020, the Italian Government enacted the Restore Liquidity Decree, which provides businesses affected by the COVID-19 pandemic with a package of financial assistance designed to help Italian businesses survive the dramatic short term effects of the COVID-19 pandemic, and which has been converted into law on June 4, 2020.

The Restore Liquidity Decree contains measures to relieve enterprises from certain obligations or procedures that could trigger adverse effects due to the COVID-19 pandemic and the associated restrictions.

One set of measures is aimed at "relaxing" directors' duties in connection with insolvency/ pre-insolvency scenarios. These measures provide that:

(i) the rules requiring the recapitalization (or liquidation or transformation into a different company type) of companies whose losses have substantially eroded the share capital will not apply from the date on which the Restore Liquidity Decree comes into force until December 31, 2020 with reference to events occurred in the financial years closed by December 31, 2020. This measure, provided for by Article 6 of the Restore Liquidity Decree, is intended to address the risk that the impact of losses arising from the COVID-19 pandemic on the share capital of companies push directors into the unsustainable position of choosing between the following: (i) putting the company into liquidation or into a bankruptcy or insolvency proceedings or (ii) facing potential personal liability as a result of the delay in complying with such obligations;

(ii) directors are allowed to prepare year-end financial statements in 2020 under a going concern assumption, to the extent the company's status as a going concern was ascertained with reference to the preceding financial statements closed before the entry into force of lockdown measures (i.e., February 23, 2020). According to Article 7 of the Restore Liquidity Decree, such provision is applicable also to year-end financial statements closed before February 23, 2020 but still not approved. The government has acknowledged that, in the current unprecedented circumstances, directors of a significant number of companies would not have been in a position to confirm the going concern assessment underpinning the on-going preparation of financial statements (with the ensuing liquidation procedures). Therefore, this measure eliminates the effect of the COVID-19 pandemic on items recorded in the financial statements while allowing companies to approve year-end financial statements on time;

(iii) the repayment of loans made to companies in a situation of economic and financial imbalance by shareholders or by those who exercise management and coordination activities in the period from the date on which the Restore Liquidity Decree comes into force until December 31, 2020, will not be subordinated to the satisfaction of other creditors. This measure, introduced by Article 8 of the Restore Liquidity Decree, applies in reliance upon an exemption from 2467 and 2497-*quinquies* of the Italian Civil Code; and

(iv) no proceedings for the declaration of insolvency or bankruptcy can be brought or pursued between March 9, 2020 and June 30, 2020. Insolvent companies will have time during this period to assess the impact of the COVID-19 pandemic on their business and to pursue alternative routes, if any. The measure, introduced by Article 10 of the Restore Liquidity Decree, applies across the board (i.e., to filings initiated by the debtor, the creditors or the public prosecutor, except for (i) filings initiated by the relevant debtor if the insolvency is not due to the COVID-19 pandemic, (ii) bankruptcy filings initiated by anyone pursuant to article 162, paragraph 2, article 173, paragraphs 2 and 3, and article 180, paragraph 7, of the Italian Bankruptcy Law and (iii) filings initiated by the public prosecutor requesting the application of interim or precautionary measures to protect the assets of the debtor). To mitigate the potential negative effects of this suspension to the creditors of the distressed company, the limitation period applicable to claw-back actions (i.e., three years from the declaration of bankruptcy and five years from the date of completion of the relevant transactions) and for the declaration of insolvency (i.e., one year since the cancellation from the relevant companies' register) are also suspended for an equal period.

The Restore Liquidity Decree also addresses the impact of the COVID-19 pandemic on existing court-supervised pre-bankruptcy composition with creditors (*concordato preventivo*), debt restructuring agreements with creditors (*accordi di ristrutturazione dei debiti*), agreements for crisis composition (*accordi di composizione della crisi*) and consumers' plans (*piani del consumatore*) through the following measures, prescribed by Article 9 of the Restore Liquidity Decree:

(i) a six-month extension of the term for performance of connected obligations falling after February 23, 2020;

(ii) in the event of proceedings for the approval of pre-bankruptcy composition with creditors or debt restructuring agreements with creditors pending on February 23, 2020, debtors have, before the approval hearing, the power to:

  (a) ask the competent court for extensions to prepare and submit to the court new plans and arrangements / proposals for compositions in on-going procedures. The new term cannot exceed 90 days starting from the date of the relevant decree by which the court assigns the new term and cannot subsequently be extended; and

  (b) file a statement indicating the new terms for the fulfilment of the composition plan or restructuring agreement, provided that the deferment of these terms cannot exceed six months from initial deadlines.

(iii) in case of proceedings so-called *con riserva* or *in bianco*, for which the competent court has already granted debtors the deadline for the submission of the composition plan or restructuring agreement, the aforesaid debtors have the right to apply to the court for a further 90 days extension of the deadline for filing, for supervening reasons arising from the COVID-19 pandemic. Relevant courts may grant such extensions in cases where the application is based on objective and legitimate grounds. Furthermore, in case of a bankruptcy proceeding, the term of 60 days (extendable of further 60 days) provided for the deposit by the debtor of the documentation regarding the concordato in bianco, does not apply to the extent the request by the debtor for the concordato in bianco has been deposited by December 31, 2021; and

(iv) debtors that, by December 31, 2021, obtained under procedures for pre-bankruptcy composition with creditors or debt restructuring agreements extension terms as provided under Article 161, paragraph 6, or Article 182-bis, paragraph 7, of the Italian Bankruptcy Law, may, by such terms, deposit a deed whereby they quit the relevant procedure and declare that they prepared an out of court reorganization plans (*piano di risanamento*) pursuant to Article 67, paragraph 3(d), of the Italian Bankruptcy Law.

<u>An Introduction to the Code of Business Crisis and Insolvency</u>

The Code of Business Crisis and Insolvency substantially reformed the Italian Bankruptcy Law by setting out a unified and systematic set of rules for the implementation of an organic reform of the principles and rules applicable to the effects of corporate crises and insolvency.

Certain provisions came into force on March 16, 2019 (e.g., provisions on Directors' liability), certain others should have entered into force from August 14, 2020. Due to the epidemiological emergency relating to the COVID-19 pandemic, Article 5 of the Restore Liquidity Decree postponed the entry into force of the Code of Business Crisis and Insolvency to September 1, 2021. Furthermore, by means of Law dated March 8, 2019, no. 20, the Italian Parliament delegated to the Government the adoption of supplementary and corrective provisions of the Code of Business Crisis and Insolvency to be implement through the issuing of one or more legislative decrees. Therefore, it is likely that the Code of Business Crisis and Insolvency may be further amended before its final entry into force.

The main changes introduced by the Code of Business Crisis and Insolvency are (i) warning instruments and assisted crisis resolution process; (ii) the introduction of a notion of Group insolvency; (iii) amendments to the rules governing out-of-court reorganization plans (*piani di risanamento*), court-supervised pre-bankruptcy composition with creditors (*concordato preventivo*), debt restructuring agreement (*accordo di ristrutturazione*) and the bankruptcy proceeding (now called *liquidazione giudiziale*) and (iv) renaming of the bankruptcy proceeding (*fallimento*) into judicial liquidation (*liquidazione giudiziale*).

Warning instruments (*strumenti di allerta*) and assisted crisis resolution process (*procedimento di composizione assistita della crisi*)

Warning instruments are a critical innovation set forth by the Code of Business Crisis and Insolvency, given that they do not affect companies only in time of crisis, but also during their whole life cycle. Such warning instruments (*strumenti di allerta*) aim at, together with the organizational obligations imposed on the debtor by the Civil Code (Article 2086 as amended by the Code of Business Crisis and Insolvency), promptly detecting signs of crisis in the debtor and at immediately adopting the measures best suited to its composition. Specifically the corporate control bodies, the auditor and the auditing firm, each within the scope of its functions, are obliged to: (i) verify that the administrative body constantly evaluates, taking the appropriate initiatives, whether the organizational structure of the debtor is adequate; (ii) check whether there is economic and financial equilibrium and what is the foreseeable trend of the management; and (iii) immediately report to the Board of Directors the presence of well-founded indications of the existence of a crisis.

The report will be in writing and sent by certified electronic mail or, in any case, by means that ensure proof of receipt, and will, additionally, contain the setting of a reasonable period, not exceeding 30 days, within which the administrative body is to report on the solutions identified and the initiatives undertaken. In case of omissions or inadequate responses, or failure to adopt, in the subsequent 60 days, the measures deemed necessary to overcome the crisis, the aforementioned people will inform without delay the *Organismo di Composizione della Crisi di Impresa* ("**OCRI**"), providing every element useful for its determinations. Further obligations in monitoring companies and reporting to the OCRI rest upon the Revenue Agency, the National Social Security Institute and the Collection Agent.

The OCRI is established at each Chamber of Commerce, Industry, Arts and Agriculture (CCIAA), with the task of receiving the reports referred to in Articles 14 and 15 of the Code of Business Crisis and Insolvency, managing the alert procedure and assisting the debtor, at his request, in the procedure of assisted composition of the crisis. The OCRI will work through the "contact person," who will be the Secretary-General of the Chamber of Commerce, Industry, Crafts and Agriculture, or his delegate, as well as through the contact person's office, which may also be formed in an associated form by several chambers of commerce.

Within 15 working days from the receipt of the report or from the debtor's instance, the OCRI will summon for a confidential hearing, before a council appointed for specifically for the procedure, the debtor and, in the case of a debtor with a supervisory body, the members of the supervisory body.

Pursuant to Article 18 of the Code of Business Crisis and Insolvency when the OCRI detects the existence of a crisis, it identifies with the debtor the possible measures to remedy it and sets the deadline within which the debtor must report on their implementation.

In accordance with Article 19 of the Code of Business Crisis and Insolvency, at the request of the debtor, the council will set a time limit for reaching an agreement with respect to the solution of the crisis. Such time limit is set at three months, which may be extended for additional three months if negotiations are leading to a solution to the crisis.

When the debtor applies for the approval of agreements to restructure debts or to open an arrangement with creditors, the council proceeds, at the request of the debtor, to certify the truthfulness of the debtor's data. The arrangement produces the same effects as the agreement that implements the out-of-court reorganization plan and, at the request of the debtor and with the consent of the creditors concerned, is filed in the commercial register.

If, on expiry of the aforementioned period, no agreement has been reached with the creditors concerned and a situation of crisis persists, the previously mentioned council will invite the debtor to apply for access to one of the procedures described in the following paragraphs (i.e., *accordi di ristrutturazione dei debiti*, *concordato preventivo* and *liquidazione giudiziale*).

If the debtor fails to comply with the above invitation, the council, if it considers that the elements acquired make it clear that the debtor is in a state of insolvency, will report this in a reasoned report to the contact person who will inform the public prosecutor at the competent court thereof, who could, in turn, file for a judicial liquidation, should the necessary prerequisites be sussistent.

<u>Out-of-court reorganization plans (*piani di risanamento*) pursuant to Article 56 of the Code of Business Crisis and Insolvency</u>

Out-of-court debt restructuring agreements are still based on restructuring plans (*piani di risanamento attestati*) prepared by a company to restructure its indebtedness and to ensure the recovery of its financial condition. According to Article 56, an independent expert appointed by the debtor has to certify to the feasibility of the restructuring plan and the truthfulness of the business and accounting data provided by the debtor.

The recovery plan must: (i) have a certain date; (ii) be in written form; (iii) have an analytical content with the specification, aimed at avoiding opportunistic or collusive conduct, that even unilateral acts or executive contracts must be proven in writing and must have a certain date. At the debtor's request the plan can be published in the commercial register (this would allow for certain tax benefits).

The content of the plan will also indicate, pursuant to paragraph 2 of Article 56 of the Code of Business Crisis and Insolvency: (i) the economic and financial situation of the debtor and indication of such debtor's asset; (ii) the main causes of the crisis; (iii) intervention strategies and the time needed to ensure the rebalancing of the financial situation; (iv) the creditors and the amount of claims for which a renegotiation is proposed and the status of each negotiation; (v) new financial contributions; and (vi) the timing of the actions to be carried out, which make it possible to verify their implementation, as well as the instruments to be adopted in case of any deviation between the objectives and the current situation.

The terms and conditions of these plans are still freely negotiable, provided that they are finalized at restructuring the debtor's indebtedness and rebalancing its capital structure. Unlike in-court pre-judicial insolvency agreement proceedings and debt restructuring agreements, out-of-court reorganization plans, pursuant to Article 56 of the Code of Business Crisis and Insolvency, do not offer the debtor any protection from enforcement proceedings or precautionary actions of third-party creditors. Should these plans fail and the debtor subsequently be subject to judicial insolvency, Italian insolvency laws provide that, subject to certain conditions, the payments or acts carried out to implement the reorganization plan are not subject to clawback action (paragraph 3(d) of Article 166 of the Code of Business Crisis and Insolvency) and are exempt from certain potentially applicable criminal sanctions.

<u>Debt restructuring agreements with creditors (*accordi di ristrutturazione dei debiti*) pursuant to Article 57 of the Code of Business Crisis and Insolvency</u>

Agreements for the restructuring of indebtedness entered into with creditors representing at least 60% of the debtor's outstanding debts have not particularly changed with the introduction of the Code of Business Crisis and Insolvency. They still have to be ratified by the court and an independent expert appointed by the debtor must assess the truthfulness of the business and accounting data provided by the debtor. Moreover, such expert must also declare that the agreement is feasible and ensure that the debts of non-participating creditors can be fully satisfied within 120 days from: (i) the date the court validates the agreement, in the case of debts which are due and payable to non-participating creditors as of the date of the court validates the debt restructuring agreement (*omologazione*); and (ii) the date on which the relevant debts is due, in case of receivables which are not yet due and payable to non-participating creditors as of the date the court validates the debt restructuring agreement (*omologazione*). Only a debtor who is in a state of crisis (i.e., facing financial distress which does not yet amount to insolvency) or insolvent can initiate this process and request the court to validate the debt restructuring agreement entered into with its creditors (*omologazione*).

If the debtor has so requested in the application referred to in Article 40 of the Code of Business Crisis and Insolvency, from the date of its publication in the commercial register, creditors by reason of preceding title or cause cannot, under penalty of nullity, begin or continue executive and precautionary actions on the debtor's assets. From the same date, the statute of limitations remains suspended and the forfeiture does not occur. These protective measures may be required by the debtor also during the negotiations and before the filing of the application for the approval of the agreements on restructuring, by including the documentation referred to in Article 57 and the proposal for an agreement accompanied by a statement from the independent professional certifying that the proposal is in progress with creditors representing at least 60% of the total and that it, if accepted, is eligible for ensuring the full payment of creditors with whom they are not in negotiations or have otherwise denied their own willingness to negotiate.

The percentage referred to in Article 57 (60% of the debtor's outstanding debt) will be reduced by half when the debtor: (i) does not propose a *moratorium* on creditors who are not parties to the agreements; and (ii) has not requested, and refrains from requesting, protective measures.

Aside from an indication of the elements of the business plan which enable it to be implemented, the Code of Business Crisis and Insolvency does not include express provisions concerning the contents of a debt restructuring agreement. The plan can therefore provide, *inter alia*, either that the debtor or a third party continue the business or that the business be sold to a third party, and may contain refinancing agreements, *moratoria*, write-offs or postponements of claims. The debt restructuring agreement may also contain a proposed tax settlement for partial or deferred payment of certain taxes, pursuant to Article 63 of the Code of Business Crisis and Insolvency. Creditors and other interested parties may oppose the agreement within 30 days from its publication in the companies' register. The court will, after having settled any oppositions, validate the agreement by issuing a decree, which may be appealed, in accordance with Article 51 of the Code of Business Crisis and Insolvency, within 30 days of its publication.

Pursuant to the Article 61 of the Code of Business Crisis and Insolvency, debtors are entitled to enter into debt restructuring agreements by obtaining approval of creditors representing at least 75% of the credits belonging to the same category (with respect to the homogeneity of their legal status and economic interests), and can request the court to declare that agreement binding on dissenting creditors of the same category (a so-called "cramdown"), provided that certain conditions are met, including that dissenting creditors are not treated worse than under any other available alternative. The law also mandates that (i) the agreement will be of a non-liquidating nature, (ii) the agreement will provide for the continuation of the business activity directly or indirectly pursuant to paragraph 2 of Article 84 of the Code of Business Crisis and Insolvency, (iii) creditors are satisfied to a significant extent or mainly from the proceeds of the going concern, and (iv) that dissenting creditors have been properly and timely informed and provided with all the necessary documentation. If these conditions are met, the remaining 25% of non-participating financial creditors belonging to the same class of creditors are crammed down; however, crammed-down creditors can challenge the agreement and refuse to be forced into it.

A special provision is set forth for debtors whose financial indebtedness is at least 50% of their total indebtedness, in this situation the debt restructuring agreement may identify one or more categories of such creditors who have a homogeneous legal position and economic interests and extend its effect to non-participating creditors who are part of the same class. In such instance, the agreement is valid even if the creditors' satisfaction does not come from the proceeds of the going concern.

Similarly, pursuant to Article 62 of the Code of Business Crisis and Insolvency, a standstill agreement (*convenzione di moratoria*) entered into between a debtor and creditors representing 75% of the same class would also bind non-participating creditors, provided that an independent expert certifies the homogeneity of the classes and that certain further conditions are met (e.g., there has to be a real prospect that creditors in the same category who are not part of the agreement, but to whom the effects of the agreement are extended, will be satisfied at the end of the agreement to no lesser extent than in the case of judicial liquidation).

In no case may the debt restructuring agreement provided under Articles 61 and 62 of the Code of Business Crisis and Insolvency may impose new obligations, the granting of new over-draft facilities, and the maintenance of the possibility to utilize existing facilities or the utilization of new facilities on third party creditors.

Pursuant to Article 101 of the Code of Business Crisis and Insolvency, financing granted to the debtor pursuant to an approved debt restructuring agreement (or a court-supervised pre-bankruptcy composition with creditors) enjoy priority status in a subsequent judicial insolvency (such status also applies to financing granted by shareholders, but only up to 80% of such financing). Financing granted "in view of" (i.e., before) presentation of a petition for a debt restructuring agreement or a court-supervised pre-bankruptcy composition with creditors may be granted such priority status provided that it is envisaged by the relevant plan or agreement and that such priority is expressly provided for by the court at the time it approves the plan or sanctions (*omologazione*) the agreement.

Pursuant to the Articles 99 and 100 of the Code of Business Crisis and Insolvency, the court, after the petition for a court-supervised pre-judicial insolvency composition with creditors (*concordato preventivo*) or for a debt restructuring agreement, may authorize the debtor to: (i) incur into new super-senior (so-called *pre deducibile*) indebtedness subject to authorization by the court and certification by an expert that such financing is functional to the overall restructuring process; (ii) secure such indebtedness via *in rem* securities (*garanzie reali*), provided that the expert appointed by the debtor, having verified the overall financial needs of the debtor until the sanctioning (*omologazione*), declares that the new financial indebtedness aims to achieve better satisfaction of the creditors; and (iii) pay debts deriving from the supply of services or goods already payable and due, provided that the expert declares that such payment is essential to maintain the debtor's activities and to ensure the best satisfaction for all creditors.

Furthermore, pursuant to Article 99 paragraph 3 of the Code of Business Crisis and Insolvency, the court may also authorize the debtor to incur in new super-senior (so-called *pre deducibile*) indebtedness, aimed at supporting urgent financial needs related to the debtor's business. The debtor, while filing such request of authorization, is required to specify: (i) the purpose of the financing; (ii) that it is unable to otherwise obtain the required funds; and (iii) that the absence of such financing will entail an imminent and irreparable prejudice to the debtor.

Court-supervised pre-judicial insolvency composition with creditors (*concordato preventivo*)

A company which is insolvent or in a situation of crisis (i.e., financial distress which does not yet amount to insolvency) has the option to make a composition proposal to its creditors, under court supervision, to compose its overall indebtedness or reorganize its business, thereby avoiding a declaration of insolvency. Only the debtor can initially file a petition with the court for a *concordato preventivo* (together with, *inter alia*, a restructuring plan and an independent expert report assessing the feasibility of the composition proposal and the truthfulness of the business and accounting data provided by the debtor). The petition for *concordato preventivo* is then published by the debtor in the companies' register.

If the debtor has so requested in the application referred to in Article 40 of the Code of Business Crisis and Insolvency, from the date of its publication in the commercial register, creditors by reason of preceding title or cause cannot, under penalty of nullity, begin or continue executive and precautionary actions on the debtor's assets. From the same date, the statute of limitations remains suspended and the forfeiture does not occur. The composition proposal filed in connection with the petition may provide for: (i) the restructuring of debts and the satisfaction of creditors' claims (including through non-recurring transactions, such as the granting of shares, bonds (including bonds convertible into shares), or other financial instruments and debt securities to creditors and to their subsidiaries or affiliated companies); (ii) the transfer to a receiver (*assuntore*) of the operations of the debtor making the composition proposal; (iii) the division of creditors into classes; and (iv) different treatment of creditors belonging to different classes.

The filing of the petition for the *concordato preventivo* may be preceded by the filing of a preliminary petition for a *concordato preventivo* (the so-called *concordato in bianco*), because the debtor, pursuant to Article 44 paragraph 1(a) of the Code of Business Crisis and Insolvency, may ask the court to set a period between 30 and 60 days, which may be extended upon request of the debtor in the presence of justified reasons and in the absence of requests for the opening of judicial liquidation, by no more than 60 days, within which the debtor deposits the proposal for an arrangement with creditors with the plan, the attestation of truthfulness of the data and feasibility of the plan and the documentation referred to in Article 39, paragraph 1 of the Code of Business Crisis and Insolvency, or the agreements for the restructuring of debts.

If the court accepts such petition, it appoints a judicial commissioner (*commissario giudiziale*) to overview the debtor, who will report to the court any act of fraud committed against creditors (as described in Article 106 of the Code of Business Crisis and Insolvency), or any circumstance or conduct of the debtor which could jeopardize the effective solution of the crisis, which, upon further verification, may reject the petition for a *concordato preventivo*. The decree setting the term for the presentation of the necessary documentation also contains the periodical information requirements (relating to (i) the financial management of the debtor, (ii) the activities carried out for the purposes of the filing of the application, and (iii) the restructuring plan) that the debtor has to fulfil, under the supervision of the judicial commissioner, at least on a monthly basis, until the lapse of the term established by the court. The debtor will also file, on a monthly basis, a document relating to the debtor's financial position, which is published, the following day, in the companies' register.

Non-compliance with these requirements results in the application for the composition with creditors being declared inadmissible and, upon request of the creditors or the public prosecutor and provided that the relevant requirements are verified, in the admission of the debtor into liquidation (*liquidazione giudiziale*).

Following the filing of the preliminary petition and until the decree of admission to the composition with creditors, the debtor may: (i) carry out acts pertaining to its ordinary activity; and (ii) seek the court's authorization to carry out acts pertaining to non-recurring activities to the extent they are urgent. Claims arising from acts lawfully carried out by the debtor during the insolvency procedures and new super-senior indebtedness authorized by the court, pending the validation (*omologazione*) of the debt restructuring agreement and court supervised pre-judicial insolvency composition with creditors, are treated as super-senior (so-called *pre deducibili*) and the related acts, payments and security interests granted are exempt from clawback pursuant to Article 166 of the Code of Business Crisis and Insolvency.

The composition proposal may, in accordance with Article 87 of the Code of Business Crisis and Insolvency, provide for: (i) the debtor's business to continue to be run by the debtor as a going concern; or for (ii) the business to be transferred to one or more companies and any assets which are no longer necessary to run the business be liquidated (*concordato con continuità aziendale*). In these cases, the petition for the *concordato preventivo* should fully describe the costs and revenue that are expected as a consequence continuing the business as a going concern, as well as the financial resources and support which will be necessary.

The independent experts must also certify that continuing the business is conducive to satisfying creditors' claims to a greater extent than if such composition proposal was not implemented.

The composition agreement may also contain a proposed tax settlement for partial or deferred payment of certain taxes pursuant to Article 88 of the Code of Business Crisis and Insolvency.

If the court determines that the composition proposal is admissible, it appoints a judge to supervise the procedure (*giudice delegato*) and one or more judicial commissioners (*commissari giudiziali*), and calls a creditors' vote. While the proposal is implemented, the debtor generally continues to be managed by its board of directors, but is supervised by the appointed judicial officers and judge (who must authorize all transactions that are not in the ordinary course of business).

The *concordato preventivo* is voted telematically and must be approved with the favorable vote of (a) the creditors representing the majority of the receivables admitted to vote, and, (b) in the event that the plan provides for more classes of creditors, the majority of such classes. Secured creditors are not entitled to vote on the proposal of the *concordato preventivo* unless and to the extent they waive their security or if the *concordato preventivo* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only with respect to the part of their unsecured debt affected by the proposal. The court may also approve the *concordato preventivo* (notwithstanding one or more classes' objection to it) if: (i) the majority of classes has approved it; and (ii) the court deems that the interests of dissenting creditors are adequately safeguarded compared to other solutions. If 20% of the creditors entitled to vote or, in case there are different classes of creditors, a creditor belonging to a dissenting class, file an objection to the implementation of the *concordato preventivo*, the court may nevertheless sanction the *concordato preventivo* if it deems that the relevant creditors' claims are likely to be satisfied to a greater extent as a result of the *concordato preventivo* than would otherwise be the case.

Pursuant to the Article 90 of the Code of Business Crisis and Insolvency, it is possible for creditors (except for individuals or entities controlled, controlling or under common control of the debtor) holding at least ten 10% of the aggregate claims against a debtor to present an alternative plan in pre-bankruptcy agreement proceedings (*concordato preventivo*) subject to certain conditions being met, including, in particular, that the debtor's proposal does not ensure recovery of at least (i) 30% of the unsecured claims (*crediti chirografari*) or (ii) 20% of the unsecured claims (*crediti chirografari*) where the debtor has requested the opening of the alert procedure or has usefully initiated an assisted crisis resolution, in accordance with Article 24 of Business Crisis and Insolvency.

In addition, to strengthen the position of unsecured creditors, the Code of Business Crisis and Insolvency provides that a *concordato liquidatorio* (i.e., a pre-judicial insolvency agreement proposal aiming to transfer all assets to the creditors and having such assets sold in their interest by the judicial commissioner) must ensure that the unsecured creditors are paid with respect to at least 20% of their claims and increase their satisfaction by at least 10% in comparison with the alternative judicial liquidation.

To the extent the alternative plan is approved by creditors and ratified (*omologato*), the court may grant special powers to the judicial commissioner to implement the plan if the debtor does not cooperate, for instance by taking all corporate actions required.

In addition, Article 91 of the Code of Business Crisis and Insolvency provides that if a plan in pre-judicial insolvency composition with creditors (*concordato preventivo*) includes an offer to sell the debtor's assets or a going concern of the debtor to an identified third party, the court opens a competitive bidding process to the extent it is in the best interest of the creditors. After approval by the creditors, the court, having settled any objections raised by dissenting creditors, confirms the *concordato preventivo* proposal by issuing a confirmation order.

If the creditors do not approve the *concordato preventivo*, the delegated judge will immediately report to the court, which will, subsequently, open the judicial liquidation pursuant to Article 49 of the Code of Business Crisis and Insolvency upon the request of one of the legitimated subjects (i.e. creditors or public prosecutor or the debtor itself) and provided that the necessary requirements exist.

Pursuant to Article 97 of the Code of Business Crisis and Insolvency, the debtor may request the competent court to be authorized to terminate outstanding agreements, except for certain agreements which are excluded from the scope of the above provision (e.g., employment agreements, residential real estate preliminary sale agreements and real estate lease agreements), if they are not coherent with the plan's prosecution or not functional to its execution. Upon the debtor's request, the pending agreements can also be suspended for a period of time not exceeding 60 days, renewable only once. In such circumstances, the other party has the right to receive an indemnification equivalent to the damages suffered for the non-fulfillment of the agreement. Such indemnification would be paid prior to and outside of the admission to the pre-bankruptcy composition.

Judicial Liquidation

Under the Code of Business Crisis and Insolvency, the term "bankruptcy" (*fallimento*) has been replaced with the term "judicial liquidation (*liquidazione giudiziale*)"; however, its scope and objectives have not changed. A request to commence this proceeding to liquidate the debtor's assets may be filed, in accordance with Article 37 of the Code of Business Crisis and Insolvency, by (i) the debtor itself, any of its creditors, (ii) the public prosecutor (in accordance with Article 38 of the Code of Business Crisis and Insolvency), or (iii) by the administrative bodies and authorities responsible for the control and supervision of the debtor.

Insolvency, as defined under Article 2 of the Code of Business Crisis and Insolvency, occurs when a debtor is no longer able to regularly meet its obligations with ordinary means as they come due. Judicial liquidation is declared by the competent court based on the COMI of the debtor.

On the commencement of judicial liquidation proceedings:

(a) subject to certain exceptions, all actions of creditors are stayed and creditors must file claims within a defined period. In particular, under certain circumstances, secured creditors may enforce against the secured property as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds of the secured assets, together with interests and expenses. Any outstanding balance will be considered unsecured and ranked pari passu with all of the debtor's other unsecured debt. The secured creditor may sell the secured asset only after it has obtained authorization from the designated judge (*giudice delegato*). After hearing the receiver and the creditors' committee, the designated judge decides whether to authorize the sale and sets forth the timing in its decision;

(b) a receiver (*curatore*) is appointed to administer the debtor and manage its assets;

(c) any act of the debtor done after a declaration of judicial insolvency (including payments made) is ineffective against the creditors;

(d) continuation of business may be authorized by the court if an interruption would cause greater damage to the debtor, but only if continuation of the debtor's business does not cause damage to creditors; and

(e) the execution of certain contracts or transactions pending as of the date of the bankruptcy declaration is suspended until the receiver decides whether to take them over. Although the general rule is that the receiver is allowed to either continue or terminate contracts where some or all of the obligations have not been performed by both parties, certain contracts are subject to specific rules under the Code of Business Crisis and Insolvency.

Judicial liquidation proceedings are carried out and supervised by a court-appointed receiver, a deputy judge (*giudice delegato*) and a creditors' committee. The receiver is not a representative of any one of the creditors, but is responsible for the liquidation of the assets of the debtor for the satisfaction of the creditors as a whole. The proceeds from the liquidation are distributed in accordance with statutory priority rights. Liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real estate. The applicable law provides for a priority of payment to certain preferential creditors, including administrative costs associated with the proceeding and costs related to the receiver's running of the debtor, Italian tax and national social security contributions and employee arrears of wages or salary. Such priority of payment is granted under mandatory provisions of Italian law (and, consequently, it is untested and it is unlikely that priority of payments such as those commonly provided in intercreditor agreements would be recognized by an Italian judicial liquidation's estate, to the extent they are inconsistent with the priorities provided by applicable law).

Composition with Creditors during the Judicial Liquidation

A judicial insolvency proceeding can terminate prior to the decree giving effect to the liabilities account (*stato passivo*) effective through a bankruptcy composition proposal with creditors. The relevant proposal can be filed, by one or more creditors or third parties, after the declaration of judicial insolvency. By contrast, the debtor or its subsidiaries are only permitted to file such proposal after one year from such declaration, but within two years following the decree giving effect to the liabilities account (*stato passivo*). Additionally, the debtor's proposal is only admissible if it provides for the contribution of resources that increase the value of the assets by at least 10%.

Secured creditors are not entitled to vote on the proposal of *concordato fallimentare*, unless and to the extent they waive their entire or part of their security, or the *concordato fallimentare* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only with respect to the part of their debt affected by the proposal.

The proposal may provide for the division of creditors into classes (thereby proposing different treatment among the classes), the restructuring of debts and satisfaction of creditors' claims in any manner. An abstention is considered as a favorable vote. The *concordato fallimentare* proposal must be approved by the creditors holding the majority (by value) of claims (and, if classes are formed, also by a majority (by value) of the claims in a majority of the classes). Final court ratification is also required.

Extraordinary Administration for Large Insolvent Companies (*amministrazione straordinaria delle grandi imprese in stato di insolvenza*)

An extraordinary administration proceeding applies under Italian law for large industrial and commercial enterprises (the *Prodi-bis* procedure). The relevant company must be insolvent, but demonstrating serious recovery prospects. To qualify for this procedure, the company must have employed at least 200 employees in the previous year. In addition, it must have debts equal to at least two-thirds of its assets as shown in its financial statements and two-thirds of its income from sales and services during its last financial year. Any of the creditors, the debtor, a court or the public prosecutor may make a petition to commence an extraordinary administration procedure. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to extraordinary administration proceedings.

The extraordinary administration proceeding is divided into two main phases: a "judicial phase" and an "administrative phase".

Judicial Phase

In the judicial phase, the court determines whether the company meets the admission criteria and whether it is insolvent. It then issues a decision to that effect and appoints up to three judicial receivers (*commissiario giudiziale*) to investigate whether the company has serious prospects for recovery via a business sale or reorganization. The judicial receiver files a report with the court within 30 days, and within 10 days from such filing, the Ministry of the Economic Development (the "**Ministry**") may make an opinion on the admission of the company to the extraordinary administration procedure. The court then decides (within 30 days from the filing of the report) whether to admit the company to the procedure or to place it into bankruptcy.

Administrative Phase

Assuming that the company is admitted to the extraordinary administration procedure, the administrative phase begins and an extraordinary commissioner (or commissioners) is appointed by the Ministry. The extraordinary commissioner(s) prepare(s) a plan which can provide for either the sale of the business as a going concern within one year (unless extended by the Ministry) (the "**Disposal Plan**") or a reorganization leading to the company's economic and financial recovery within two years (unless extended by the Ministry) (the "**Recovery Plan**"). The plan may also include an arrangement with creditors (e.g., a debt for equity swap, an issue of shares in a new company to whom the assets of the company have been transferred, etc.) (*concordato*). The plan must be approved by the Ministry within 30 days from submission by the extraordinary commissioner.

In addition, the extraordinary commissioner draws up a report every six months on the financial condition and interim management of the company and sends it to the Ministry.

The procedure ends upon successful completion of either a Disposal Plan or a Recovery Plan, failing which the company is declared bankrupt.

Industrial Restructuring of Large Insolvent Companies (*ristrutturazione industriale di grandi imprese in stato di insolvenza*)

Introduced in 2003, the industrial restructuring of large insolvent companies is also known as the *Marzano* procedure. It is complementary to the *Prodi-bis* procedure and, except as otherwise provided, the same provisions apply. The *Marzano* procedure is intended to be faster than the *Prodi-bis* procedure. For example, although a company must be insolvent, the application to the Ministry is made together with the filing to the court for the declaration of the insolvency of the debtor.

The *Marzano* procedure only applies to large insolvent companies that, on a consolidated basis, have at least 500 employees in the year before the procedure is commenced and at least €300 million of debt. The decision of whether to open a *Marzano* procedure is taken by the Ministry following the debtor's request (who must also file an application for the declaration of insolvency). The Ministry assesses whether the relevant requirements are met and then appoints the extraordinary commissioner(s) who will manage the company. The court also decides on the company's insolvency.

The extraordinary commissioner(s) has/have 180 days (or 270 days if the Ministry so agrees) to submit a Disposal Plan or Recovery Plan. The restructuring through the Disposal Plan or the Recovery Plan must be completed within, respectively, one year (extendable to two years) and two years. If no Disposal or Recovery Plan is approved by the Ministry, the court will declare the company bankrupt and open bankruptcy proceedings.

Compulsory Administrative Winding-Up (*liquidazione coatta amministrativa*)

A compulsory administrative winding-up (*liquidazione coatta amministrativa*) is only available for certain companies, including, *inter alia*, public interest entities such as state-controlled companies, insurance companies, credit institutions and other financial institutions, none of which can be made subject to bankruptcy proceedings. It is irrelevant whether these companies belong to the public or the private sector. A compulsory administrative winding-up is a special sort of insolvency proceeding in which the entity is liquidated not by the bankruptcy court, but by the relevant administrative authority that oversees the industry in which the entity is active. The procedure may be triggered not only by the insolvency of the relevant entity, but also on other grounds expressly provided for by the relevant legal provisions (e.g., in respect of Italian banks, serious irregularities concerning the management of the bank or serious violations of the applicable legal, administrative or statutory provisions). The effect of this procedure is that the entity loses control over its assets and a liquidator (*commissario liquidatore*) is appointed to wind up the company. The liquidator's actions are monitored by a steering committee (*comitato di sorveglianza*). The powers assigned to the designated judge and the bankruptcy court under the other insolvency proceedings are assumed by the relevant administrative authority under this procedure. The effect on creditors of the forced administrative winding-up is largely the same as under bankruptcy proceedings and includes, for example, a ban on enforcement measures. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to extraordinary administration proceedings.

Interim Financing

The Decree 83/2015, as amended by Law 132/2015, introduced the possibility for debtors to also obtain authorization to receive urgent interim financing and to continue to use existing trade receivables credit lines (*linee di credito autoliquidanti*) necessary for their business needs before a court's approval of a Pre-Bankruptcy Composition with Creditors (*concordato preventivo*) or the entry into a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) with priority status (*prededucibilità*) in case of subsequent bankruptcy without the expert certification and through an accelerated review process by the relevant court, upon, *inter alia*, the relevant debtor's declaration that interim finance is urgently needed and the debtor's inability to access such finance would cause imminent and irreparable damage. The court must decide on the request within 10 days of the filing of the application after consultation with the judicial commissioner and, if deemed necessary, the principal creditors.

Before the entry into force of the Decree 83/2015, debtors could be granted financing with priority status (*prededucibilità*) before a court's approval of a Pre-Bankruptcy Composition with Creditors (*concordato preventivo*) or the entry into a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) if: (i) an expert certified that such financing is functional to the overall restructuring process; or (ii) such financing is provided for by the plan or the agreement, provided in each case that the court approved such priority status.

Under Article 99 of the Code of Business Crisis and Insolvency, the appeal must: (i) specify the use of the financing; (ii) state that the debtor is not able to find financing otherwise; and (iii) indicate the reasons why the absence of the financing would lead to a serious prejudice to the debtor's activities or the continuation of the procedure. The appeal must be accompanied by a report from an independent professional certifying that all the requirements set forth in Article 99 are met, as well as that the financing should result in the better satisfaction of the creditors' claims. The report is not necessary when the court finds that there is an urgent need to take steps to avoid serious and irreparable damage to the debtor's business.

Certain Italian Law Considerations in Relation to Guarantees and Security Interests and Certain Other Additional Italian Legal Considerations

Maximum Guaranteed Amount

Under Article 1938 of the Italian Civil Code, if a personal guarantee is issued by an Italian guarantor to guarantee conditional or future obligations, the guarantee must be limited to a maximum amount. Such maximum amount should be expressly identified at the outset and expressed in figures. (either in the deed of guarantee or by reference to a separate document, such as the Indenture). In addition, as mentioned above, the guarantees granted by an Italian guarantor must be supported by corporate benefit: in other words, the maximum guaranteed amount must be indicated in the guarantee deed and shall not exceed the financial capabilities of the relevant Italian guarantors. It has been held that such determination must be proportionate to the relevant guarantor's assets. It is uncertain, however, whether courts are entitled to debate and to rule over such determinations.

In order to comply with Article 1938 of the Italian Civil Code and corporate law requirements on, i*nter alia*, corporate benefit and financial assistance, the maximum amount that an Italian guarantor may be required to pay in respect of its obligations as guarantor under the deed of guarantee will be subject to limitations.

If and to the extent any Italian subsidiary of the Issuer pursuant to article 2359 of the Italian Civil Code is legally permitted to and does guarantee the Notes in the future, the relevant deed of guarantee may contain limitations on the relevant Italian guarantor liability to the extent reasonably necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable Italian law.

Upon certain conditions, the granting of guarantees may be considered as a restricted financial activity within the meaning of Article 106 of Italian Legislative Decree No. 385 of September 1, 1993 (the "**Consolidated Banking Act**"), whose exercise is exclusively allowed to banks and authorized financial intermediaries. Non-compliance with the provisions of the Consolidated Banking Act may, *inter alia*, entail the relevant guarantees being considered null and void. In this respect, Decree No. 53 of April 2, 2015 issued by the Italian Ministry for Economic Affairs and Finance (*Ministero dell'Economia e delle Finanze*), implementing Article 106, paragraph 3, of the Consolidated Banking Act, states that the issuance of guarantees by a company for the obligations of another company which is part of the same group does not qualify as a restricted financial activity, whereby "group" includes controlling, controlled and associated companies within the meaning of Article 2359 of the Italian Civil Code as well as companies, which are under the control of the same entity. As a result of the above-described rules, subject to the Guarantors and the guaranteed entity being part of the same groups, the provision of the guarantees would not qualify as a restricted financial activity.

Corporate Benefit and Financial Assistance Issues under Italian Law

Under Italian law, the entry into a transaction (including the creation of a security interest or the granting of a guarantee) by a company incorporated under Italian law must be permitted by the applicable laws and regulations, the articles of association and by its by-laws (*statuto sociale*) or such company and is subject to, among the others, compliance with the rules on corporate benefit, corporate authorization and certain other mandatory provisions. If a security interest or a guarantee is being provided in the context of an acquisition, group reorganization, refinancing or restructuring, financial assistance issues may also be triggered.

Corporate Benefit

An Italian company entering into a transaction (including granting a security interest or a guarantee) must receive a real and adequate benefit in exchange for the security interest or the guarantee being provided by such company (the so called "corporate benefit"). The concept of a "corporate benefit" is not specifically defined in the applicable legislation and is determined by a factual analysis on a case-by-case basis and its existence is purely a business judgment-based decision of the directors and the statutory auditors (if any) of the company. As a general rule, corporate benefit is to be assessed at the level of the relevant company on a stand-alone basis, although upon certain circumstances and subject to specific rules the interest of the group to which such company belongs may also be taken into consideration.

As a general rule, absence of a real and adequate corporate benefit could render the transaction (including granting a security interest or a guarantee) by an Italian Company *ultra vires* and/or potentially affected by conflict of interest and the related corporate resolutions adopted by the shareholders and directors may be the subject matter of challenges and annulment. Civil liabilities also may be imposed on the directors of an Italian company if it is assessed by a court, *inter alia*, that they did not act in the best interest of such company and that the granting of a security interest or a guarantee does not fall within the corporate purpose of the company or was against mandatory provisions of Italian law. Furthermore, criminal sanctions may apply to the directors of the company under Article 2634 of the Italian Civil Code, if violation of applicable Italian laws and regulations on financial assistance is found to have occurred. The lack of corporate benefit could also lead to civil liabilities on those companies or persons ultimately exercising control over the Italian grantor result in the imposition of or having knowingly received an advantage or profit from such improper control. Moreover, the security interest or guarantee granted by an Italian company could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party and such third party acted intentionally against the interest of the Italian company.

The above principles on corporate benefit apply equally to upstream/cross-stream/downstream security interest or guarantees granted by Italian companies.

In relation to security interests or guarantees, while corporate benefit for a downstream security interest or guarantee (i.e., a security interest or a guarantee granted to secure financial obligations of direct or indirect subsidiaries of the relevant grantor) may be easily proved, the validity and effectiveness of an upstream or cross-stream security interest or guarantee (i.e., a security interest or a guarantee granted to secure financial obligations of the direct or indirect parent or sister companies of the relevant grantor) granted by an entity organized under the laws of the Republic of Italy depends on the existence of a real and adequate corporate benefit in exchange for the granted security interest or guarantee and may be challenged unless it can be proved that the grantor may derive some benefits or advantages from the granting of such a guarantee or security. The general rule is that the risk assumed by an Italian grantor of a security interest or guarantee must not be disproportionate to the direct or indirect economic benefit or advantage to it. In particular, in case of upstream and cross-stream security interests or guarantees for the financial obligations of group companies, examples may include financial consideration in the form of access to cash flows through intercompany loans from other members of that group, while transactions featuring debt financings of distributions to shareholders are largely untested in Italian courts, and, therefore, limited guidance is provided as to whether and to what extent such transactions could be challenged for lack of corporate benefit and conflict of interest. Generally, the risk assumed by a guarantor or grantor of security must not be disproportionate to the direct or indirect economic benefit to it.

In order to comply with corporate law requirements on corporate benefit, the amount of guarantees or security interests granted in respect of the obligations under the Senior Secured Bridge Facility Agreement, the Revolving Credit Facility Agreement and the Guarantee Facility Agreement (collectively, the "**Facilities Agreements**"), the Indenture and the Intercreditor Agreement, shall be subject to limitations.

In particular, as regards each guarantor incorporated in the Republic of Italy (an "**Italian Guarantor**"), the obligations and liabilities such Italian Guarantor, in respect of the obligations and liabilities of any Obligor which is not a subsidiary (pursuant to article 2359, paragraph 1, numbers 1 or 2, of the Italian Civil Code) of such Italian Guarantor, shall not exceed, at any time, an amount equal to the aggregate of:

(a) the aggregate principal amount of the facilities at any time advanced to such Italian Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359, paragraph 1, numbers 1 or 2, of the Italian Civil Code) as borrower under the the above agreements; and

(b) the aggregate principal amount of any intercompany loans or other financial support in any form (such term, for the avoidance of doubt, not including equity contributions, provided that with respect to IMA Bidco, such term shall include equity contributions in the form of capital contributions (*versamenti in conto capitale o a fondo perduto*) advanced to such Italian Guarantor or any of its direct or indirect subsidiaries pursuant to article 2359, paragraph 1, numbers 1 or 2, of the Italian Civil Code) by any Obligor (whether directly or indirectly),

and provided that, notwithstanding any provisions of the Transaction Documents to the contrary, no Italian Guarantor shall be liable as a Guarantor in relation to the obligations of any Obligor, Borrower or Guarantor, which is not a subsidiary (pursuant to Article 2359, paragraph 1, numbers 1 or 2, of the Italian Civil Code) of such Italian Guarantor, in respect of any amounts owed under any facility in excess of an amount equal to the amount that such Italian Guarantor is entitled to set-off against its claims of recourse or subrogation (*regresso* or *surrogazione*) arising as a result of any payment made by such Italian Guarantor under the guarantee given pursuant to the Transaction Documents (the "**Set-Off Right**"), it remaining understood that any provision establishing a deferral of Guarantors' rights in any Transaction Documents, shall not prejudice, and will not apply to, the Set-Off Right.

It is understood that, in respect of the obligations of any Obligor which is not a subsidiary of the relevant Italian Guarantor, the maximum amount that each Italian Guarantor may be required to pay in respect of its obligations as Guarantor under the Indenture shall ratably concur and not cumulate with the corresponding amounts due by that Italian Guarantor to any guaranteed creditor pursuant to the other Transaction Documents, and *vice versa*. The proceeds of the enforcement of said guarantees shall be distributed amongst the guaranteed creditors (including, without, limitation, the noteholders) in accordance with the provisions of the Intercreditor Agreement. In accordance with the Intercreditor Agreement, the obligations of any Italian Guarantor as guarantor under any Transaction Document (as defined therein) shall not be deemed to be cumulative and shall be considered without duplication.

The same principle applies also to security providers incorporated in the Republic of Italy.

Financial Assistance

In addition, the granting of a guarantee or a security interest by an Italian company cannot include any liability which would result in unlawful financial assistance within the meaning of Article 2358 or 2474, as the case may be, of the Italian Civil Code pursuant to which, subject to specific exceptions, it is unlawful under Italian laws for a company to provide financial assistance (whether by means of loans, security interest, guarantees or otherwise) to support the acquisition, or subscription by a third party of its own shares or quotas or those of any entity that (directly or indirectly) controls such Italian company, and any loan, guarantee or security given or granted in breach of these provisions is null and void. Financial assistance provided by an Italian company for the refinancing of indebtedness originally incurred for the acquisition or subscription by a third party of its own shares or quotas or those of any entity that (directly or indirectly) controls the Italian company may also be construed as a violation. Any loan, guarantee or security interest given or granted in breach of these provisions may be considered null and void. In addition, directors may be personally liable for failure to act in the best interests of the company.

Certain Limitations on Enforcement

Under Italian law, in the event that an entity becomes subject to insolvency proceedings, guarantees and security interests given by it or by way of a trust or parallel debt obligation could be subject to potential challenges by the appointed bankruptcy receiver or by other creditors under the rules of ineffectiveness or avoidance or clawback of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or clawback of transactions made by the debtor during a certain legally specified period (the "**suspect period**"). For a more detailed explanation of the terms, conditions and consequences of clawback actions in an insolvency scenario, see "—*Certain Italian Insolvency Laws*" above.

If challenged successfully, the guarantee or the security interest may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest or guarantee is voided, holders of the Notes could lose the benefit of the security interest or guarantee and may not be able to recover any amounts under the related security documents.

According to Italian law, the enforcement of any claims, obligations, security interest and rights in general may be subject to, *inter alia*, the following aspects:

(a) the enforcement of obligations may be limited by the insolvency proceedings listed above relating to or affecting the rights of creditors;

(b) an Italian court will not necessarily grant any specific enforcement or precautionary measures, the availability of which is subject to the discretion of the Court;

(c) with respect to contracts providing for mutual obligations (*contratti a prestazioni corrispettive*), each party can refuse to perform its obligation if the other party does not perform or does not offer to perform its own obligation thereunder, in accordance with and subject to the provisions of Article 1460 of the Italian Civil Code;

(d) claims arising under Italian law-governed documents may become barred under the provision of Italian law concerning prescriptions and limitations by the lapse of time (*prescrizioni and decadenze*) or may be or become subject to a claim of set-off (*compensazione*) or to counterclaim;

(e) pursuant to Article 1241 and following of the Italian Civil Code concerning set-off of reciprocal obligations (*compensazione*), persons who have reciprocal debt obligations may set-off such obligations for the correspondent amount when both such debt obligations have as an object a pecuniary obligation or fungible assets and are equally liquid and payable;

(f) where any party to any agreement or instrument is vested with discretion or may determine a matter in its opinion, Italian law may require that such discretion is exercised reasonably or that such opinion is based on reasonable grounds;

(g) the enforceability in Italy of obligations or contractual provisions governed by a foreign law may be limited by the fact that the relevant provisions of laws may be deemed contrary to Italian public policy principles or in case mandatory rules of necessary application (*norme di applicazione necessaria*);

(h) there is some possibility that an Italian court could hold that a judgment on a particular agreement or instrument, whether given in an Italian court or elsewhere, would supersede such agreement or instrument to all intents and purposes, so that any obligation thereunder which by its terms would survive such judgment might not be held to do so;

(i) enforcement of obligations may be invalidated by reason of fraud or abuse of the law (*abuso del diritto*);

(j) the enforceability of an obligation pursuant to the terms set forth in any agreement or instrument may be subject to the interpretation of an Italian court which may carry out such interpretation pursuant to the provisions of Articles 1362 and following of the Italian Civil Code;

(k) any question as to whether or not any provision of any agreement or instrument which is illegal, invalid, not binding, unenforceable or void may be severed from the other provisions thereof in order to save those other provisions would be determined by an Italian court on the basis of the interpretation of intention of the parties, taking also into account the conduct of the parties following the execution of such agreement or instrument (Article 1419 of the Italian Civil Code);

(l) an Italian company, either directly or indirectly, cannot grant loans or provide security interest for the purchase or subscription of its own shares unless the strict requirements provided for the Italian Civil Code are satisfied;

(m) an Italian company must have a specific corporate interest in guaranteeing or securing financial obligations of its parent company or any other companies, whether related or unrelated, such interest being determined by the relevant company on a case-by-case basis;

(n) in case of bankruptcy, a receiver in bankruptcy is appointed by the court to administer the proceeding under the supervision of the bankruptcy court and creditors cannot start or continue individual foreclosure actions (including the enforcement of security interests) against the debtor (automatic stay). Furthermore, the sale of the relevant pledged assets is carried out by such receiver unless the pledgee is expressly authorized by the bankruptcy court;

(o) the preemption rights (*prelazione*) granted by a security interest extend to interest accrued in the year in which the date of the relevant seizure/attachment or adjudication in bankruptcy falls (or, in the absence of seizure/attachment, at the date of the notification of the payment demand (*precetto*)) and extend, moreover, to interest accrued and to accrue thereafter, but only to the extent of legal interest and until the date of the forced sale occurred in the context of the relevant foreclosure proceeding/bankruptcy proceedings;

(p) in order to oppose an assignment to any third party, it will be necessary to notify such assignment to the relevant debtor or make such debtor to accept it by an instrument bearing an undisputable date (“*data certa*”); the priority of such assignment will be determined accordingly. One way of ensuring that a document has an indisputable date is that of ensuring that the execution of the relevant document by one of the parties to it is witnessed by a notary who states the date of witnessing on the document; another way is to have each page of the document stamped by the post office;

(q) there could be circumstances in which Italian law would not give effect to provisions concerning advance waivers or forfeitures;

(r) the effectiveness of terms exculpating a party from liability or duties otherwise owed is prevented by Italian law in the event of gross negligence (*colpa grave*), willful misconduct (*dolo*) or the violation of mandatory provisions;

(s) penalties and liquidated damages (*penali*) may be equitably reduced by a court;

(t) Italian courts do not necessarily give full effect to an indemnity for the costs of enforcement or litigation;

(u) a security interest does not prevent creditors of the relevant debtor, other than the grantee of such security interest, from continuing enforcement or enforcement proceedings on the assets secured by the relevant security interest;

(v) in case of bankruptcy of the grantor of the pledge over quotas or shares, the assets secured by the pledge could be freely sold to any third party in the context of the relevant bankruptcy proceeding and, as a consequence, the proceeds would be set aside for the prior satisfaction of the pledgee, but the pledge would be terminated and, therefore, the latter would lose entitlement to the voting rights on the pledged quotas/shares; and

(w) the application of interests rates equal to or higher than rates set under Italian legislation on usury is not allowed; likewise, in certain specific circumstances, the interest capitalisation (namely “anatocismo”) is not allowed.

In addition, under Italian law, in certain circumstances also in the ordinary course of business, an action can be brought by any creditor of a given debtor within five years from the date in which the latter enters into a guarantee, security, agreement and any other act by which it disposes of any of its assets, in order to seek a clawback action (*azione revocatoria ordinaria*) pursuant to Article 2901 of the Italian Civil Code (which results in a declaration of ineffectiveness as to the acting creditor) of the said guarantee, security, agreement and other act that is purported to be prejudicial to the acting creditor’s right of credit. An Italian court could revoke the said guarantee, security, agreement and other act only if it, in addition to the ascertainment of the prejudice, was to make the two following findings:

(a) that the debtor was aware of the prejudice which the act would cause to the rights of the acting creditor, or, if such act was done prior to the existence of the claim or credit, that the act was fraudulently designed for the purpose of prejudicing the satisfaction of the claim or credit; and

(b) that, in the case of non-gratuitous act, the third party involved was aware of said prejudice and, if the act was done prior to the existence of the claim or credit, that the said third party participated in the fraudulent design.

Furthermore, under fraudulent conveyance and other provisions of Italian law, a court could void or invalidate all or a portion of the obligations of a guarantor under the relevant guarantee and, if payment had already been made under that guarantee, require the recipients of that payment to return the payment to the relevant guarantor, if the court found that, *inter alia*:

(a) the relevant guarantor gave such guarantee with actual intent to hinder, delay or defraud its current or future creditors or with a desire to prefer some creditors over others, or when the beneficiary of the guarantee was aware that the relevant guarantor was insolvent when it gave the relevant guarantee;

(b) the relevant guarantor did not receive fair consideration or reasonably equivalent value for its guarantee or the relevant guarantor was insolvent at the time the guarantee was given;

(c) the relevant guarantee was held to exceed the corporate objects of the relevant guarantor or not to be in the best interest or for the corporate benefit of the relevant guarantor; or

(d) the guarantor giving such guarantee was aware, or should have been aware, that the transaction was to the detriment of the creditors.

If a court decided either that a guarantee was a fraudulent conveyance and voided such guarantee, or held it unenforceable for any other reason, the beneficiary of the guarantee may cease to have any claim with respect to the relevant guarantor. The same would also apply to any security interest.

Certain Considerations in Relation to Security Interests

Trust and Security Agent

Under Italian law the beneficiary of a security interest must be clearly identified and indicated in the relevant security document. It is uncertain and untested in the Italian courts whether, under Italian law, a security interest can be created and perfected: (i) in favor of creditors (such as the holders of the Notes), which are neither directly parties to the relevant security documents or are not specifically identified therein or in the relevant share certificates and corporate documents or public registries; and (ii) in favor of a "trustee", since there is no established concept of "trust" or "trustee" under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of a "trustee" as agent or trustee under security interests granted over Italian assets is uncertain under Italian law. In particular, even though trusts governed by foreign jurisdictions are recognized under Italian law, there are still doubts as to the validity of a trust when it does not comply with Italian law provisions governing rights in rem (*diritti reali*), security interests or when the trust is deemed to pursue a scope that does not deserve protection in light of the general principles of Italian law; to the Issuer's knowledge, similar trust arrangements have never been tested in Italian courts and therefore there might be risks regarding the enforceability of the Notes Collateral insofar as it relates to such trust arrangements in the event that they are not upheld.

Given the above and considering that the holders of the Notes are not party to the security documents, there is a risk that an Italian court may determine that the holders of the Notes are not secured by the security interests created under such security documents and/or cannot enforce that security interest.

To address the above potential issue, the Notes Collateral will be created and perfected in favor of the Trustee and in favor of the Security Agent acting as agent with representative powers (*con potere di rappresentanza*) of secured creditors and acting also in its capacity as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code.

In bond issuances made by Italian joint stock companies (*società per azioni*), pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code (introduced by Law No. 164 of November 11, 2014), security interests can be created in favor of a representative (*rappresentante*) of the holders of the Notes who will then be authorized to enforce them on behalf of the holders of the Notes. In this respect, the security interests will be created in favor of the Security Agent acting also as *rappresentante* of the holders of the Notes in accordance with Article 2414-*bis*, paragraph 3, of the Italian Civil Code, who will then be entitled to exercise in the name and on behalf of the holders of the Notes all their rights (including any rights before any court and judicial proceedings) relating to the security interests and guarantees. However, there is no guidance or available interpretation on the exercise of the rights and enforcement of such security interest and guarantees by a *rappresentante* pursuant to Article 2414-*bis*, paragraph 3 of the Italian civil code also in the name and on behalf of the holders of the Notes which are neither directly parties to the security documents nor are specifically identified therein (or, to the extent applicable, in the relevant share certificates, corporate documents or public registries).

In addition, as the holders of the Notes are not a direct party to the Indenture, there is the risk that the appointment of the Security Agent in its capacity as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-bis, paragraph 3, of the Italian Civil Code is not upheld by an Italian court and that therefore an Italian court may determine that the holders of the Notes at the time of enforcement are not secured by the security interests created under the Security Documents and/or that the *rappresentante* of the holders of the Notes cannot exercise the rights and enforce the Notes Collateral also in the name and on behalf of the holders of the Notes. In addition, the provisions and the subject matter of paragraph 3 of Article 2414-bis, paragraph 3, of the Italian Civil Code are new and, as such, untested by Italian Courts and, therefore, even if the appointment of the *rappresentante* is upheld by an Italian Court, we cannot exclude that an Italian Court may take a different view and interpretation and determine that, where the Notes Collateral is only granted in favor of the *rappresentante*, the holders of the Notes at the time of enforcement are not secured by the security interest and/or cannot enforce that security interest.

Undercapitalization

Italian corporate law (Articles 2497-*quinquies* and 2467 of the Italian Civil Code) provides for rules to protect creditors against "undercapitalized companies" and provides for remedies in respect thereof. In this respect, in case of a loan to a company made by (i) a person that, directly or indirectly, directs the company or exercises management and coordination powers over that borrowing company, or (ii) any entity subject to the management and coordination powers of the same person, or (iii) a quotaholder in the case of a company incorporated in Italy as a *società a responsabilità limitata*, such loan will be subordinated to all other creditors of that borrower and rank senior only to the equity in that borrower, if the loan is made when, taking into account the kind of business of the borrower, there was an excessive imbalance of the borrower's indebtedness compared to its net assets or the borrower was already in a financial situation requiring an injection of equity and not a loan ("undercapitalization"). Any payment made by the borrower with respect to any such loan within one year prior to a bankruptcy declaration would be required to be returned to the borrower. The above rules apply to shareholders' loans "made in any form" and scholars generally conclude that such provisions should be interpreted broadly and apply to any form of financial support provided to a company by its shareholders, either directly or indirectly.

There are several court precedents interpreting the provisions summarized above. Some of such precedents have held that Article 2467 of the Italian Civil Code also applies to companies incorporated as *società per azioni*, hence potentially to the borrowers under the intercompany loans that are incorporated as *società per azioni*.

Therefore, upon the occurrence of the requirements provided for by the relevant provisions, Italian courts may apply such provisions of the Italian Civil Code to the Issuer's relationship with Italian subsidiaries under the relevant intercompany loans. Accordingly, an Italian court may conclude that the obligations of any Italian subsidiary under any intercompany loan are subordinated to all its obligations towards other creditors. Should any of the obligations of any subsidiary under any intercompany loan be deemed subordinated to the obligations owed to other creditors by operation of law and senior only to the equity, the Issuer may not be able to recover any amounts under any intercompany loan granted to the Italian subsidiaries, which could have a material adverse effect on the Issuer's ability to meet its payment obligations under the Notes. Moreover, in circumstances where any obligations of an Italian subsidiary under any intercompany loans is subordinated by operation of law, the ability of the holders of the Notes to recover under any Notes Collateral created over such intercompany loans or any guarantees granted by such Italian subsidiaries may be impaired or restricted.

Mergers

Following the Completion Date, we intend to consummate the Company Merger, should we acquire 100.0% of the Outstanding Company Shares in the context of the MTO (including the Sell-Out and the Squeeze-Out), or the Delisting Merger, should we not acquire 100.0% of the Outstanding Company Shares, in the context of the MTO (including the Sell-Out and the Squeeze-Out) and regardless of the number of Outstanding Company Shares that we will acquire; following completion of the Delisting Merger, we intend to complete the Debt Push Company Merger. See "*Summary—The Transactions—The Mergers*".

The Issuer (in the case of a Delisting Merger) or Sofima PIK (in the case of a Company Merger or a Debt Push Company Merger) will, following any Merger, enter into or reconfirm: (i) the share pledge in respect of the shares it owns in Company MergerCo (in case of the Company Merger), Delisting MergeCo (in case of Delisting Demerger) or Debt Push MergeCo (in case of Debt Push MergeCo); and (ii) an assignment of receivables by way of security in respect of any structural intercompany receivables owed to it by Company MergerCo, Delisting MergeCo or Debt Push MergeCo, as the case may be.

Following the completion of any of the Delisting Merger and the Company Merger, the Issuer shall use reasonable endeavours to refinance the financial indebtedness of the Target Group in full.

We maintain that the Company Merger and the Debt Push Company Merger would qualify as merger-leveraged buy-out under Italian law, considering that the Issuer has incurred third-party indebtedness in order to, *inter alia*, finance the acquisition of the Company and, thus, they will be carried out pursuant to the provisions of Articles 2501-*bis* and ff. of the Italian Civil Code.

In order to complete the Mergers, if any, there are various steps that we must take including the preparation of a merger plan, a report by the board of directors of the companies involved in the Mergers (*relazione dell'organo amministrativo*) and a report by an independent expert appointed by the court for each of the companies involved in the Mergers, or by a common expert appointed by the court upon joint request of the companies, assessing, among the others, the methods used for determining the exchange ratio and the fairness of the ratio itself.

In the case of the Company Merger and the Debt Push Company Merger, pursuant to Article 2501-*bis* of the Italian Civil Code: (i) the merger plan prepared under Article 2501-*ter* of the Italian Civil Code shall also contain the indication of the financial sources envisaged for the fulfillment of the obligations of the company resulting from the merger ; (ii) the report by the board of directors of the Company prepared under Article 2501-*quinquies* of the Italian Civil Code shall indicate the reasons of the transaction and contain an economic and financial plan indicating the source of the financial resources of the company and the description of the goals to be pursued; (iii) the report by the independent expert appointed by the court under Article 2501-*sexies* of the Italian Civil Code shall state the reasonableness of the assumptions of the above mentioned merger plan.

As the incorporating company or the company resulting from any of the Mergers, if any, will be an Italian joint stock company (*società per azioni*), the independent expert is required to be appointed by the court, which creates an inherent uncertainty as to the length of time in which the Mergers can be expected to take place. In addition, there can be no assurance that the report of the independent expert will be released at the expected time and/or, with respect to the Company Merger and the Debt Push Company Merger, will state the reasonableness of the assumptions of the merger plan, or that the other steps required for the Mergers will be taken in a timely manner, or at all.

Subject to certain exceptions, the Mergers, if any, can only be implemented following the expiration of 60 days after the latest filing with the competent companies' registry of the resolutions approving the Mergers. Within this 60-day deadline, the creditors of the companies involved in the Mergers are entitled to challenge the Mergers.

Upon the completion of the Company Merger or the Debt Push Company Merger, as applicable, the obligations of the Issuer in respect of, among others, the Notes will be automatically assumed by Company MergeCo and Debt Push MergeCo, respectively.

General

The procedures for the enforcement of Italian law security and the timing for obtaining judicial decisions (including in relation to security enforcement) in the Republic of Italy are materially complex and time-consuming, especially given that the Italian courts maintain a significant role in the enforcement process, in comparison to other jurisdictions with which investors may be familiar.

SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

The Notes offered hereby are governed by New York law. However, the Issuer's creation and issuance of the Notes (i.e. its corporate resolutions) are governed by Italian law.

The Issuer and the Guarantors are joint stock companies (*società per azioni*) organized under the laws of Italy. All of the directors and executive officers of the Issuer and Guarantors live outside the United States. Substantially all the assets of the directors and executive officers of the Issuer and the Guarantors and of the Issuer and the Italian Guarantors itself are located outside the United States. As a result, although the Issuer has appointed an agent for service of process under the indenture governing the Notes, it may be difficult for you to serve process on those persons or the Issuer or the Guarantors in the United States, or to enforce judgments obtained in U.S. courts against them or the Issuer, based on civil liability provisions of the federal or state securities laws of the United States.

Likewise, it may also be difficult for an investor to enforce judgments in U.S. courts obtained against us or these persons in courts located in jurisdictions outside the United States, including actions predicated upon the civil liability provisions of the U.S. federal or state securities laws, or other laws against us or on such other persons as mentioned above in the courts of a foreign jurisdiction. It may be possible for investors to effect service of process within other jurisdictions upon those persons, the Issuer or any Guarantor provided that, The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

Enforcement of Judgments in Italy

Subject to the qualifications described below, recognition and enforcement in Italy of final judgments of U.S. courts, including judgments obtained in actions predicated upon the civil liability provisions of the U.S. federal securities laws, may not require retrial on the merits and will be enforceable in Italy, *provided* that pursuant to Article 64 of Italian Law No. 218 of May 31, 1995, *inter alia*, the following conditions are met: (i) the relevant U.S. court which rendered the judgment had jurisdiction upon the matter in accordance with Italian law and had rendered a final and binding judgment, not subject to any further appeal (*passato in giudicato*); (ii) summons and complaints have been appropriately served on the defendant in accordance with applicable U.S. law and no fundamental right of the defendant has been violated during the proceedings; (iii) the parties have had an opportunity to be heard in accordance with applicable U.S. law; (iv) there is no conflicting final judgment by an Italian court or an action pending in Italy that commenced prior to the commencement of the proceedings before the U.S. court among the same parties and arising from the same facts and circumstances; and (v) the content of the U.S. judgment does not violate Italian public policy.

Furthermore, according to Article 67 of Italian Law No. 218 of May 31, 1995, if the judgment rendered by the U.S. court is not complied with, its recognition is challenged or it is necessary to enforce such judgment, a proceeding must be instituted in the competent Court of Appeal to this end. The competent Court of Appeal does not consider the merits of the case but reviews exclusively the existence of all the requirements set out above (including requiring that the judgment rendered by the U.S. federal or New York state court is not contrary to public policy in Italy).

In original actions brought before Italian courts, there is doubt as to the enforceability of liabilities or remedies based solely on the U.S. federal securities laws. In addition, in original actions brought before Italian courts, Italian courts may apply not only Italian rules of civil procedure, but also certain substantive provisions of Italian law that are regarded as mandatory and may refuse to apply U.S. law provisions if the relevant application violates Italian public policy.

LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon for us by White & Case LLP, as to matters of United States federal, New York State, English, Italian law, and by Tremonti Romagnoli Piccardi e Associati, as to matters of Italian tax law.

Certain legal matters in connection with this Offering will be passed upon for the Initial Purchasers by Milbank LLP, as to matters of United States federal, New York State and English law and by Legance—Avvocati Associati as to matters of Italian law.

INDEPENDENT AUDITORS

The financial statements of Sofima Holding S.p.A. as of September 30, 2020 and for the period from September 16, 2020 (date of incorporation) to September 30, 2020, have been audited by EY S.p.A., independent auditors, as stated in their report appearing herein.

The consolidated financial statements of I.M.A. Industria Macchine Automatiche S.p.A. and subsidiaries as of and for the years ended December 31, 2017, 2018 and 2019, the English translation of which is included elsewhere in this Offering Memorandum, have been audited by EY S.p.A., independent auditors, as stated in the English translation of their reports appearing herein.

EY S.p.A.'s registered office is Via Lombardia 31, Rome, Italy, and it is registered under No. 70954 in the Register of Accountancy Auditors (*Registro dei Revisori Legali*) held by the Italian Ministry of Economy and Finance in compliance with the provision of Legislative Decree No. 39, January 27, 2010.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to this Offering Memorandum acknowledges that:

(a) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(b) such person has not relied on the Initial Purchasers or any person affiliated with any of the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(c) except as provided pursuant to paragraph (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby, other than those contained herein, and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we will, during any period in which we are not subject to Section 13 or 15(d) under the Exchange Act, nor exempt from the reporting requirements under Rule 12g3-2(b) of the U.S. Exchange Act, make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act, upon the written request of any such holder or beneficial owner. Any such request with respect to the Notes should be directed to the Issuer at Sofima Holding S.p.A., Via Luigi Carlo Farini 11, 40124, Bologna, Italy.

We are currently not subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture, we will agree to furnish periodic information to holders of the Notes, as further described under "*Description of the Notes—Certain Covenants—Reports*."

The additional documents and information specified in "*Listing and General Information*" herein and not included in this Offering Memorandum will be available to be inspected and obtained by holders at the specified office of the listing agent in Luxembourg during normal business hours on any weekday.

The content available on our website does not form part of, nor is incorporated by reference into, this Offering Memorandum.

LISTING AND GENERAL INFORMATION

Listing

Application has been made to list the Notes, on the Issue Date, on the Official List of the Luxembourg Stock Exchange and to admit to trading on the Euro MTF Market in accordance with the rules and regulations of that exchange.

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream.

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF, and the rules and regulations of the Luxembourg Stock Exchange so require, the Issuer will publish or make available any notices (including financial notices) to the public in written form at the places indicated by announcements to be published in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange or by any other means considered equivalent by the Luxembourg Stock Exchange.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF and the rules and regulations of the Luxembourg Stock Exchange so require, copies of the following documents may be inspected and obtained free of charge at the specified office of the listing agent in Luxembourg during normal business hours on any weekday:

(a) the organizational documents of the Issuer and of IMA Bidco;

(b) the audited and unaudited condensed consolidated interim financial statements of each of the Group and Issuer included in this Offering Memorandum;

(c) the Audited Financial Statements included in this Offering Memorandum;

(d) the Indenture;

(e) the Intercreditor Agreement;

(e) the annual and interim financial statements required to be provided under the captions "*Description of the Notes—Certain Covenants—Reports*";

(f) the Guarantee Facility Agreement; and

(g) other material agreements described in this Offering Memorandum as to which we specify that copies thereof will be made available.

We have appointed The Bank of New York Mellon SA/NV, Dublin Branch as Transfer Agent and Registrar, The Bank of New York Mellon SA/NV, Luxembourg Branch as Luxembourg Listing Agent and The Bank of New York Mellon, London Branch as Paying Agent, to make payments on, when applicable, and transfers of, the Notes. We reserve the right to vary such appointments in accordance with the terms of the Indenture.

Litigation

Except as disclosed in this Offering Memorandum, neither the Issuer nor any of the Guarantors is involved, or has been involved during the twelve months preceding the date of this Offering Memorandum, in any litigation, arbitration, governmental or administrative proceedings which would, individually or in the aggregate, have a material adverse effect on their results of operations, condition (financial or other) or general affairs and, so far as each is aware, having made all reasonable inquiries, there are no such litigation, arbitration or administrative proceedings pending or threatened.

No Material Changes

Except as disclosed in this Offering Memorandum:

(a) there has not been a significant change in the financial or trading position of the Issuer or the Guarantor since their respective incorporation;

(b) there has been no material adverse change in the financial position or prospects position of the Issuer or the Guarantor since their respective incorporation; and

(c) neither the Issuer nor, as far as the Issuer is aware, the Guarantor has been involved in any governmental, legal, administrative or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the twelve months preceding the date of this Offering Memorandum, which may have, or have had in the recent past, a significant effect on our financial position or profitability.

Clearing Information

The Senior Secured Floating Rate Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under common codes 227510196 and 227509066, respectively. The ISIN Number for the Senior Secured Floating Rate Notes sold pursuant to Regulation S is XS2275101967 and the ISIN Number for the Senior Secured Floating Rate Notes sold pursuant to Rule 144A is XS2275090665.

The Senior Secured Fixed Rate Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under common codes 227509074 and 227509082, respectively. The ISIN Number for the Senior Secured Fixed Rate Notes sold pursuant to Regulation S is XS2275090749 and the ISIN Number for the Senior Secured Fixed Rate Notes sold pursuant to Rule 144A is XS2275090822.

Legal Information

The Issuer

Sofima Holding S.p.A., a joint stock company (*società per azioni*) incorporated and existing under the laws of the Republic of Italy, having its registered office at Via Luigi Carlo Farini 11, 40124, Bologna, Italy, and registered with the Chamber of Commerce of Bologna registration number and fiscal code 03889841205 and LEI code 815600D9715DF0629C12. The Issuer was formed on September 16, 2020 and its corporate existence is scheduled to expire on December 31, 2100. The Issuer's financial year ends on December 31.

For information about the Issuer's share capital, please refer to Article 5 of its articles of association. The subscribed share capital of the Issuer is €50,000 divided into 50 thousand shares with a par value of €1 each, all of which are fully paid up.

Pursuant to Article 2 of its by-laws (*statuto*), the Issuer's corporate purposes is the acquisition of holdings, for investment purposes (and not for placement), of Italian and foreign companies of any kind.

The Company can also grant financing in any form in favour of parent companies, subsidiaries or companies subject to mutual control.

The Company's purpose also includes to provide security interests and guarantees, against loans in any form granted or undertaken to the Company itself or to its parent companies, subsidiaries or companies subject to mutual control.

The Guarantor

The Guarantor, IMA Bidco S.p.A., is a joint stock company (*società per azioni*) incorporated and existing under the laws of the Republic of Italy having its registered office at Via Luigi Carlo Farini 11, 40124, Bologna, Italy, and registered with the Chamber of Commerce of Bologna registration number and fiscal code 03891601209 and LEI code 81560064923473914D89. The Guarantor was formed on September 23, 2020 and its corporate existence is scheduled to expire on December 31, 2100. The Guarantor's financial year ends on December 31.

For information about the Guarantor's share capital, please refer to Article 5 of its articles of association. The subscribed share capital of the Issuer is €50,000 divided into 50 thousand shares with a par value of €1 each, all of which are fully paid up.

Pursuant to Article 2 of its by-laws (*statuto*), the Guarantor's corporate purposes are is the acquisition of holdings, for investment purposes (and not for placement), of Italian and foreign companies of any kind.

The Guarantor can also grant financing in any form in favour of parent companies, subsidiaries or companies subject to mutual control.

The Guarantor's purpose also includes to provide security interests and guarantees, against loans in any form granted or undertaken to the Guarantor itself or to its parent companies, subsidiaries or companies subject to mutual control.

General

The issuance of the Notes and their terms and conditions were authorized by resolutions of the Board of Directors (*consiglio di amministrazione*) of the Issuer passed on November 30, 2020 and December 10, 2020. The Guarantee provided by IMA Bidco will be authorized by resolution or decision of the competent body and any other Guarantees will be authorized by resolution or decision of the competent body of each of the other Guarantors on or prior to the Completion Date.

Following the consummation of the Transactions, the Issuer will provide financial statements as described in "*Description of the Notes—Reports*", subject to which the Issuer will provide consolidated financial statements.

We accept responsibility for the information contained in this Offering Memorandum. To the best of our knowledge, except as otherwise noted, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of this Offering Memorandum.

INDEX TO FINANCIAL STATEMENTS

SOFIMA HOLDING S.p.A.

Head Office: Via Farini n. 11 – 40124 Bologna
Registered with the Bologna Companies Register at no. 03889841205
Authorized Share Capital Eur 1,000,000.00 – Subscribed and Paid Share Capital Eur 50,000.00

Interim Financial Report at 30 September 2020

STATEMENT OF FINANCIAL POSITION

(EUR)

ASSETS	Note	30 September 2020
NON-CURRENT ASSETS		
Investments in Subsidiaries	1	50,000
Deferred tax assets	2	1,431
TOTAL NON-CURRENT ASSETS		51,431
CURRENT ASSETS		
Cash and cash equivalents	3	14,943
TOTAL CURRENT ASSETS		14,943
TOTAL ASSETS		**66,374**

EQUITY AND LIABILITIES	Note	30 September 2020
EQUITY		
Share capital		50,000
Reserves		12,864
Loss for the period		(2,397)
TOTAL EQUITY	4	60,467
CURRENT LIABILITIES		
Trade and other payables	5	5,907
TOTAL CURRENT LIABILITIES		5,907
TOTAL LIABILITIES		5,907
TOTAL EQUITY AND LIABILITIES		**66,374**

INCOME STATEMENT

(EUR)

	Note	from 16.09.2020 to 30.09.2020
REVENUE		—
OPERATING COST	6	
Services, rental and leases		(2,742)
Other operating cost		(411)
TOTAL OPERATING COST		(3,153)
OPERATING PROFIT		(3,153)
LOSS BEFORE TAXES		(3,153)
TAXES	7	756
LOSS FOR THE PERIOD		**(2,397)**
BASIC/DILUTED EARNINGS PER SHARE	8	**(0.05)**

STATEMENT OF COMPREHENSIVE INCOME

(EUR)

	Note	from 16.09.2020 to 30.09.2020
Loss for the period		(2,397)
Other comprehensive income to be reclassified to profit or loss in subsequent periods		—
Other comprehensive income not being reclassified to profit or loss in subsequent periods		—
Gains and losses recognized in equity		**—**
Total comprehensive income		**(2,397)**

STATEMENT OF CHANGES IN EQUITY

(EUR)

	Share capital	Share premium reserve	Costs of issuing equity instruments	(Loss) for the period	Total equity
September 16, 2020 Date of incoporation	**50,000**	**15,000**	**(2,136)**	**—**	**62,864**
Total comprehensive income	—	—	—	(2,397)	(2,397)
Balance at 30.09.2020	**50,000**	**15,000**	**(2,136)**	**(2,397)**	**60,467**

AS REGARDS THE ITEMS IN EQUITY, SEE NOTE 4.

STATEMENT OF CASH FLOW

(EUR)

	Note	from 16.09.2020 to 30.09.2020
OPERATING ACTIVITIES		
Loss for the period		(2,397)
Adjustment for:		
- Taxes	2-7	(756)
Operating loss before changes in working capital		(3,153)
Increase (decrease) in trade and other payable, including contract Liabilities	5	3,096
CASH FLOW USED IN OPERATING ACTIVITIES (A)		(57)
INVESTING ACTIVITIES		
Investments in Subsidiaries	1	(50,000)
CASH FLOW USED IN INVESTING ACTIVITIES (B)		(50,000)
FINANCING ACTIVITIES		
Issuance share capital	4	65,000
CASH FLOW PROVIDED BY FINANCING ACTIVITIES (C)		65,000
NET CHANGE IN CASH AND CASH EQUIVALENTS (D=A+B+C)		**14,943**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (E)	3	—
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (F=D+E)	3	**14,943**

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2020

SOFIMA HOLDING S.P.A.

A) OVERVIEW

"SOFIMA HOLDING S.p.A." ("the Company") is a holding company of investments in industrial enterprises established in Bologna (Italy) on 16 September 2020 by its Sole Shareholder "SOFIMA PIK S.p.A.", also a holding company, in its turn incorporated in Bologna (Italy) on 10 September 2020 by its Sole Shareholder "SO.FI.M.A. – Società Finanziaria Macchine Automatiche S.p.A.", a company currently controlling "I.M.A. Industria Macchine Automatiche S.p.A." (IMA S.p.A.), with registered office in Ozzano dell'Emilia (BO - Italy), Via Emilia 428/442, listed on the Borsa Italiana S.p.A. telematic market in the S.T.A.R. segment.

Given the recent date of establishment of the Company (16 September 2020), this interim financial report as at 30 September 2020 represents a period of only 14 days, without the possibility of any comparative information in relation to the previous financial year.

In the first days of its activity the Company received from its Sole Shareholder "SOFIMA PIK S.p.A." its initial capital and the related premium, for a total amount of Euro 65,000, thanks to which it was able to participate, as Sole Shareholder, to the incorporation of a holding company of investments in industrial companies, called IMA BIDCO S.p.A. and incorporated in Bologna (Italy) on 23 September 2020 with initial share capital of Euro 50,000. As highlighted in the course of these Notes, IMA BIDCO S.p.A. is essentially the only asset of the Company as of 30 September 2020.

This interim financial report at 30 September 2020 was set up by the Sole Director of the company on 26 October 2020 and have been audited by EY S.p.A.

B) GENERAL BASIS OF PREPARATION

General principles

This interim financial report at 30 September 2020 ("the Report"), composed of the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flow and the related explanatory notes, has been prepared in accordance with the International Accounting Standards (IAS/IFRS) as issued by the International Accounting Standards Board and endorsed by the European Union, the related interpretations issued to date by the Standing Interpretations Committee (SIC/IFRIC) and in accordance with the laws and regulations in force in Italy, in anticipation of its possible inclusion in the documentation to be prepared in the event of extraordinary transactions.

Financial statements

The statement of financial position has been classified on the basis of the liquidity of assets and liabilites, where:

- non-current assets comprise those assets realizable beyond twelve months from the balance sheet date, including deferred taxes;
- current assets comprise those assets realizable within twelve months from the balance sheet date and the cash equivalents;
- non-current liabilities comprise liabilities beyond twelve months;
- current liabilities comprise liabilities within twelve months.
- The income statement has been prepared by classifying costs and revenue according to their nature.

Changes in equity are indicated in the relative statement, which also includes those that took place from the date of establishment (16 September 2020) to the reporting date (30 September 2020).

The statement of cash flows has been presented according to IAS 7 – Statement of cash flows and it has been prepared by using the "indirect method", which distinguishes the cash flows in operating, investing and financing activities.

Unless stated otherwise, the figures in the interim report at 30 September 2020 are expressed in unit of euros.

C) ACCOUNTING POLICIES AND STANDARDS

The more significant accounting policies applied are as follows:

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are valued at acquisition cost, as permitted by IAS 27 – *Consolidated and Separate Financial Statements.* In fact, this report presents a separate (non-consolidated) financial statements.

Pursuant to IAS 36 – *Impairment of Assets*, investments in subsidiaries are subject to impairment test, annually or more frequently if events or changed circumstances indicate a probable value reduction.

Dividends from subsidiaries are recognized as financial income in the income statement when the right to payment has been authorised.

IMPAIRMENT OF ASSETS

An asset is impaired if its carrying amount is greater than the amount that can be recovered from its use or sale. The impairment test required by IAS 36 ensures that assets are not carried at a value exceeding their recoverable value, which is the higher of their net selling price or their value in use.

Value in use is defined as the present value of the future cash flows expected to be generated from the continuing use of an asset. The present value of future cash flows is estimated using a pre-tax discount rate that reflects the current estimated market cost of borrowing, which is calculated in relation to the time value of money and the specific risks associated with the asset.

If the carrying amount exceeds recoverable value, the asset or CGU is written down to reflect such recoverable value. This impairment is charged to the income statement.

Impairment tests are carried out when factors internal or external to the company suggest that the value of an asset may have been impaired. In the case of investments in subsidiaries, goodwill or other intangible assets with an indefinite useful life, the impairment test must be carried out at least once a year.

If the conditions that led to an impairment cease to apply, the proportional reinstatement of the value of assets previously written down must not exceed the depreciated historical cost that would have been reported had such earlier impairment not been recognized. Writebacks are recognized in the income statement except for goodwill, for which International accounting standards prohibit the reversal of impairment losses.

CASH AND CASH EQUIVALENTS

This item includes cash on hand, sight and short-term bank deposits with an original maturity of not more than three months and with no risks. Bank overdrafts repayable on demand are not an integral part of the management of cash and cash equivalents.

TAXES

Income taxes include current and deferred taxes. Income taxes are generally recognized in profit or loss except when they regard items recognized directly in equity. In this case, the related income taxes are also recognized in equity.

Current taxes are taxes which are expected to pay based on the taxable income for the year and are calculated using the tax rate applying in Italy, where the Company operates.

Deferred tax liabilities are calculated by applying the liability method to temporary differences between the value of balance sheet assets and liabilities and the corresponding values recognized for tax purposes. Deferred taxes are determined using the tax rate which is expected to apply when the assets are realized or the liabilities settled.

Deferred tax assets are recognized only when it is probable that taxable income in future years will be sufficient to realize them.

Deferred tax assets and liabilities are off-set only when there is a legal entitlement to do so and when they relate to taxes due to the same tax authority.

Provision for taxes that might arise on transferring undistributed earnings of subsidiaries are only made if there is a real intention to transfer such earnings.

DIVIDENDS

Dividends distributed to shareholders of the Company are recognized as a liability in the financial statements in the period in which the dividend is approved by the Shareholders' Meeting.

EARNINGS PER SHARE

Basic earnings per share are calculated as the ratio of Company net profit to the weighted average number of ordinary shares outstanding in the period. As required by IAS 33, earnings per share from discontinued operations are shown separately in the income statement.

USE OF ESTIMATES AND ASSUMPTIONS

When preparing financial statements, management must use accounting principles and methods which, in some cases, are based on difficult and subjective valuations and estimates, which are based on past experience, and on assumptions that are deemed from time to time as reasonable and realistic on a case-by-case basis.

Application of these estimates and assumptions affects the amounts shown in the financial statements, namely the balance sheet, income statement and cash flow statement, as well as the explanatory notes.

In this financial statement there aren't any items that require a greater subjectivity on the part of the directors in preparing estimates and for which a change in the conditions underlying the assumptions used can have a significant impact on the Company's financial statements.

IMPLEMENTATION OF ACCOUNTING STANDARDS

Accounting standards, amendments and interpretations applied from 1 January 2020

This interim financial report at 30 September 2020 is the first prepared by the Company in accordance with the International Accounting Standards (IAS/IFRS), so it transposes the last version of each in force from 1 January 2020.

Accounting standards issued but not yet in force

The Company does not foresee significant impacts on equity, results and financial situation deriving from the application of the other standards and interpretations that had already been issued, but were not yet in force at the date of preparation of this document:

- Amendments to IAS 1 – Presentation of Financial Statements: classification of liabilities as current or non-current;
- Amendments to IFRS 3 – Reference to the Conceptual Framework;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2;

- Amendments to IAS 16 – Proceeds before intended use;
- Amendments to IAS 37 – Onerous Contracts, costs of fulfilling a contract;
- Annual cycle of improvements to IFRS 2018-2020;
- IFRS 17 – Insurance Contracts;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of assets between an Investor and its associate or joint ventures.

D) NOTES TO THE FINANCIAL STATEMENTS

As anticipated above, as this is the first interim financial report to be drawn up after the incorporation of the Company, no comparison with the figures for the previous financial year was possible.

1. Investments in subsidiaries

Investments in subsidiaries are represented only by the controlling stake in IMA BIDCO S.p.A. established in Bologna, via Farini n. 11, cap 40124, on 23 September 2020 and amounting at an acquisition cost of Eur 50,000. At 30 September 2020 SOFIMA HOLDING S.p.A. owns the entire share capital of it, equal to a nominal value of Eur 50,000.

The details of the investment in IMA BIDCO S.p.A., taken from the interim financial report drawn up on 30 September 2020 by the same subsidiary, are shown below:

	Head office	% ownership	Currency	Share Capital	Equity	Profit/(Loss) for the period	Total
IMA BIDCO S.p.A.	Bologna – IT	100%	Eur	50,000	46,434	(1,430)	50,000
Total controlling interest (Eur)							**50,000**

2. Deferred tax assets

At 30 September 2020, the deferred tax asset of Eur 1,431 relates to a deferred tax asset (calculated at the rate of 24%) recognized on losses of the period and on costs of issuing share capital.

Eur	16.09.2020 – 30.09.2020
Credited/(Charged) to PL	756
Credited/(Charged) to equity	675
Net am ount at the end of the period . . .	**1,431**

The main components of deferred tax assets are presented below:

Eur	carried forward	issuing equity	Total
Credited/(Charged) to PL	756	—	756
Credited/(Charged) to Equity	—	675	675
Other changes	—	—	—
Net amount at the end of the period	**756**	**675**	**1,431**

3. Cash and cash equivalent

This item breaks down as follows:

Eur	30.09.2020
Bank current accounts	14,943
Total	**14,943**

4. Equity

Share capital

The share capital of the Company at 30 September 2020, fully subscribed and paid in, is equal to Eur 50,000, divided into 50,000 ordinary shares with no nominal value.

Reserves

This item includes:

- the share premium reserve, amounting to Eur 15,000 and registered at the time of incorporation of the Company;
- the costs of issuance share capital, registered directly to equity net of tax effects according IAS 32, for an amount of Eur -2,136.

5. Trade and other payables

This item includes only trade payable for Eur 5,907 of which Eur 2,810 referred to costs of issuance of the share capital.

6. Operating cost

This item breaks down as follows:

Eur	16.09.2020 – 30.09.2020
Services, rental and leases:	
Technical, legal, tax and administrative consulting services	2,688
Bank com mission	54
Other operating cost:	
Other taxes	411
Total	**3,153**

We provide information concerning the remuneration paid for any reason and in any form, to directors, and statutory auditors and independent auditors:

Eur	Annual basis
Sole Director	—
Statutory auditors	37,500
Independent auditors (EY S.p.A.) *	15,000
Total	**52,500**

* *The amount due to Independent auditors includes a one-off fee of Eur 5,000, specifically related to the audit of this interim financial report.*

7. Income Taxes

This item is analyzed as follows:

Eur	16.09.2020 – 30.09.2020
Taxes for the period:	
Current taxes	—
Net deferred tax liabilities/(assets)	(756)
Total	**(756)**

As anticipated above, deferred tax are calculated at rate of 24%, corresponding to italian income tax applied to company (IRES).

8. Earnings per share

Basic earnings per share are calculated as the ratio of net profit to the weighted average number of ordinary shares outstanding during the period, as follows:

	30.09.2020
Net profit from continuing operations	(2,397)
Average number of outstanding ordinary shares	50,000
Earning per share from continuing operations	**(0.05)**
Net profit from discontinued operations/disposal groups	—
Average number of outstanding ordinary shares	50,000
Earning per share from discontinued operations/disposal groups	**—**
Net profit	(2,397)
Average number of outstanding ordinary shares	50,000
Earning per share	**(0.05)**

For SOFIMA HOLDING S.p.A., basic earnings per share and diluted earnings per share are the same, given the absence of instruments that might result in dilution.

9. Atypical and/or unusual transactions

No significant atypical and/or unusual transactions or positions are reported in this interim financial report at 30 September 2020.

10. Significant events after the close of the period

Subsequent to 30 September 2020 the Company will be part of a wide operation regarding IMA S.p.A. shares, listed on the Borsa Italiana S.p.A. telematic market. In particular, it is intention of the Company, first, to acquire the right of full ownership of total no. 22,295,194 IMA S.p.A. shares (equal to about 51.5943% of its share capital), both through direct purchase of a part of IMA S.p.A. shares from the Sole Shareholder of the Company, SOFIMA PIK S.p.A. as seller, both through capital increase by contribution of the rest of IMA S.p.A. shares and, secondly, to transfer the same right of full ownership of total no. 22,295,194 IMA S.p.A. shares, in favor of its controlled subsidiary IMA BIDCO S.p.A..

For this purpose:

- on 9 October 2020, the Extraordinary Shareholders' Meeting of the Company resolved, inter alia, to increase the paid share capital for the nominal value of Euro 950,000, passing from the current nominal value of Euro 50,000 to the new nominal value of Euro 1,000,000, to be implemented by issuing no. 950,000 new ordinary shares of the Company, with no nominal value, reserved to the Sole Shareholder SOFIMA PIK S.p.A. and to be paid up by contribution in kind of a certain mumber of IMA S.p.A. shares not purchased directly from the same Sole Shareholder, for a total price to be allocated for Euro 950,000 to the share capital and for the residual amount to the share premium reserve;
- on the same date, the Extraordinary Shareholders' Meeting of the controlled subsidiary IMA BIDCO S.p.A. resolved, inter alia, to increase the paid share capital (with two separate operations) for the total nominal value of Euro 950,000, passing from the current nominal value of Euro 50,000 to the new nominal value of Euro 1,000,000, to be implemented by issuing no. 950,000 new ordinary shares reserved to the Sole Shareholder SOFIMA HOLDING S.p.A. and to be paid up by means of the contribution in kind of no. 22,295,194 IMA S.p.A. shares, for a total price to be allocated for Euro 950,000 to the share capital and for the residual amount to the share premium reserve.

* * *

Bologna (Italy), 26 October 2020

Sole Director

(Dott. Emanuele Gnugnoli)

Sofima Holding S.p.A.

Financial statements at September 30, 2020 and for the period from September 16, 2020 to September 30, 2020

Independent auditor's report

EY S.p.A.
Via Massimo D'Azeglio, 34
40123 Bologna

Tel: +39 051 278311
Fax: +39 051 236666
ey.com

Independent auditor's report

To the Sole Director of
Sofima Holding S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sofima Holding S.p.A. (the "Company"), which comprise the statement of financial position at September 30, 2020, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the period from September 16, 2020 to September 30, 2020 then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at September 30, 2020 and of its financial performance and its cash flows for the period from September 16, 2020 to September 30, 2020 in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Sole Director for the Financial Statements

The Sole Director is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Sole Director is responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Sole Director prepares the financial statements on a going concern basis unless he either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Sole Director;
- we have concluded on the appropriateness of Sole Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Bologna, December 4, 2020

EY S.p.A.

/s/Marco Mignani, Auditor

Consolidated financial statements at 30 September 2020

I.M.A. INDUSTRIA MACCHINE AUTOMATICHE S.P.A. AND SUBSIDIARIES

(The consolidated financial statements have been translated from the original Italian into English solely for the convenience of international readers)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(MILLIONS OF EUROS)

ASSETS	Note	30 September 2020	31 December 2019
NON-CURRENT ASSETS			
Property, plant and equipment	2	106.7	100.2
Right of use assets	2	212.7	212.8
Intangible assets	3	861.5	874.8
Investments accounted for using the equity method	4	30.3	26.1
Financial assets	5	49.3	49.8
Receivables from others		3.1	3.0
Deferred tax assets	7	56.8	58.3
TOTAL NON-CURRENT ASSETS		1,320.4	1,325.0
CURRENT ASSETS			
Inventories	8	411.1	344.2
Trade and other receivables	9	257.0	243.9
Contract assets	9	220.9	236.7
Income tax receivables		7.1	21.3
Financial assets	5	20.2	18.2
Derivative financial instruments	6	0.4	1.0
Cash and cash equivalents	10	164.5	110.7
TOTAL CURRENT ASSETS		1,081.2	976.0
TOTAL ASSETS		**2,401.6**	**2,301.0**

EQUITY AND LIABILITIES	Note	30 September 2020	31 December 2019
EQUITY			
Share capital		22.5	22.5
Reserves and retained earnings		462.5	301.8
Profit for the period		42.0	169.2
Equity attributable to equity holders of the parent	11	527.0	493.5
Non-controlling interests	12	9.6	11.4
TOTAL EQUITY		536.6	504.9
NON-CURRENT LIABILITIES			
Borrowings	13	462.7	521.9
Lease liabilities	13	138.6	142.2
Employee defined benefit liabilities	14	43.9	40.6
Provisions for risks and charges	15	6.5	6.3
Other payables	16	96.9	120.6
Derivative financial instruments	6	7.3	5.3
Deferred tax liabilities	7	100.2	108.8
TOTAL NON-CURRENT LIABILITIES		856.1	945.7
CURRENT LIABILITIES			
Borrowings	13	304.4	123.3
Lease liabilities	13	22.8	21.1
Trade and other payables	16	489.0	527.4
Contract liabilities	16	147.7	135.8
Income tax liabilities		12.5	12.9
Provisions for risks and charges	15	32.4	29.8
Derivative financial instruments	6	0.1	0.1
TOTAL CURRENT LIABILITIES		1,008.9	850.4
TOTAL LIABILITIES		1,865.0	1,796.1
TOTAL EQUITY AND LIABILITIES		**2,401.6**	**2,301.0**

THE EFFECTS OF TRANSACTIONS WITH RELATED PARTIES ON THE ITEMS IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION ARE SHOWN IN NOTE 26 – RELATED-PARTY TRANSACTIONS.

CONSOLIDATED INCOME STATEMENT

(MILLIONS OF EUROS)

	Note	from 01.01.2020 to 30.09.2020	from 01.01.2019 to 30.09.2019
REVENUE FROM CONTRACTS WITH CUSTOMERS	1	1,015.8	1,008.3
OTHER REVENUE		4.4	8.0
OPERATING COSTS			
Change in work in progress, semifinished and finished goods		55.1	49.3
Change in inventory of raw, ancillary and consumable materials		13.4	9.1
Cost of raw, ancillary and consumable materials and goods for resale		(428.4)	(412.6)
Services, rentals and leases		(202.5)	(229.6)
Personnel costs	17	(318.1)	(314.7)
Capitalized costs		17.1	17.2
Depreciation, amortization and write-downs	18	(70.0)	(54.9)
Provisions for risks and charges		(3.1)	(0.7)
Other operating costs		(8.5)	(7.5)
TOTAL OPERATING COSTS		(945.0)	(944.4)
OPERATING PROFIT	1	75.2	71.9
- of which: effect of non-recurring items	27	(2.0)	(7.0)
FINANCIAL INCOME AND EXPENSE			
Financial income	19	17.3	79.9
Financial expense	20	(36.5)	(36.3)
TOTAL FINANCIAL INCOME AND EXPENSE		(19.2)	43.6
PROFIT (LOSS) FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		3.8	3.1
PROFIT BEFORE TAXES		59.8	118.6
TAXES	21	(19.4)	(27.9)
PROFIT FOR THE PERIOD		**40.4**	**90.7**
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE PARENT		42.0	88.0
NON-CONTROLLING INTERESTS		(1.6)	2.7
		40.4	**90.7**
BASIC/DILUTED EARNINGS PER SHARE(in euros)	**22**	**0.97**	**2.24**

THE EFFECTS OF TRANSACTIONS WITH RELATED PARTIES ON THE CONSOLIDATED INCOME STATEMENT ARE SHOWN IN NOTE 26 – RELATED-PARTY TRANSACTIONS.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(MILLIONS OF EUROS)

	from 01.01.2020 to 30.09.2020	from 01.01.2019 to 30.09.2019
Net profit for the period	40.4	90.7
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange rate gains (losses) on the translation of foreign currency financial statements	(5.3)	2.9
Gains (losses) on financial assets measured at FVOCI	0.1	1.4
Gains (losses) on cash flow hedges	(1.8)	(3.1)
Tax effect	0.2	0.4
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(6.8)**	**1.6**
Other comprehensive income not being reclassified to profit or loss in subsequent periods:		
Actuarial gains (losses) on post employment benefit obligations	(3.4)	(2.8)
Tax effect	0.5	0.5
Net other comprehensive income not being reclassified to profit or loss in subsequent periods	**(2.9)**	**(2.3)**
Gains and losses recognized in equity	**(9.7)**	**(0.7)**
Total comprehensive income	**30.7**	**90.0**
Attributable to:		
Equity holders of the parent	32.5	87.5
Non-controlling interests	(1.8)	2.5
	30.7	**90.0**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(MILLIONS OF EUROS)

	Share capital	Share premium reserve	Treasury shares	Translation reserve	Fair value reserve	Other reserves and retained earnings	Profit attributable to equity holders of the parent	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at 01.01.2019	**20.4**	**122.8**	**(5.6)**	**(0.6)**	**(2.9)**	**158.9**	**104.0**	**397.0**	**23.9**	**420.9**
Monetary revaluation by hiperinflation	—	—	—	—	—	1.1	—	1.1	—	1.1
Distribution of dividends	—	—	—	—	—	(16.3)	(62.0)	(78.3)	(14.6)	(92.9)
Allocation of earnings for 2018	—	—	—	—	—	42.0	(42.0)	—	—	—
Change of non-controlling interests	—	—	—	—	(0.9)	(0.4)	—	(1.3)	2.8	1.5
Total comprehensive income	—	—	—	2.9	(1.3)	(2.1)	88.0	87.5	2.5	90.0
Balance at 30.09.2019	**20.4**	**122.8**	**(5.6)**	**2.3**	**(5.1)**	**183.2**	**88.0**	**406.0**	**14.6**	**420.6**
Balance at 01.01.2020	**22.5**	**122.8**	**(5.6)**	**0.6**	**(4.3)**	**188.3**	**169.2**	**493.5**	**11.4**	**504.9**
Monetary revaluation by hiperinflation	—	—	—	—	—	1.0	—	1.0	—	1.0
Allocation of earnings for 2019	—	—	—	—	—	169.2	(169.2)	—	—	—
Total comprehensive income	—	—	—	(5.1)	(1.5)	(2.9)	42.0	32.5	(1.8)	30.7
Balance at 30.09.2020	**22.5**	**122.8**	**(5.6)**	**(4.5)**	**(5.8)**	**355.6**	**42.0**	**527.0**	**9.6**	**536.6**

AS REGARDS THE ITEMS IN CONSOLIDATED EQUITY, SEE NOTES 11 AND 12.

CONSOLIDATED STATEMENT OF CASH FLOWS

(MILLIONS OF EUROS)

	Note	From 01.01.2020 To 30.09.2020	From 01.01.2019 To 30.09.2019
OPERATING ACTIVITIES			
Profit attributable to equity holders of the parent		42.0	88.0
Adjustments for:			
- Depreciation and amortization	18	67.9	54.3
- Write-downs/impairment	18	1.5	—
- Fair value remeasurement of the interest held in investments accounted for using the equity method	19-20	—	(55.3)
- Changes in provisions for risks and charges and employee defined benefit liabilities		1.9	(0.3)
- Unrealized losses (gains) on exchange rate differences	20	0.6	(0.7)
- Other changes		0.1	(0.8)
- Taxes		19.4	27.9
- Non-controlling interests		(1.6)	2.7
- Result from investments accounted for using the equity method		(3.8)	(3.1)
Operating profit before changes in working capital		128.0	112.7
(Increase) decrease in trade and other receivables, including contract assets	9	(1.1)	20.8
(Increase) decrease in inventories	8	(66.6)	(60.2)
Increase (decrease) in trade and other payable, including contract liabilities	16	(40.5)	(60.5)
Taxes paid		(11.8)	(21.3)
CASH FLOW PROVIDED BY OPERATING ACTIVITIES(A)		8.0	(8.5)
INVESTING ACTIVITIES			
Investments in property, plant and equipment	2	(15.7)	(21.4)
Investments in intangible assets	3	(19.0)	(18.0)
Effect of acquisition of business divisions/companies	23	1.9	(251.4)
Purchase of investments		(4.1)	(0.6)
Sale of subsidiaries		3.0	—
Sale of non-current assets		0.6	0.5
Other changes		(0.3)	3.7
CASH FLOW USED IN INVESTING ACTIVITIES(B)		(33.6)	(287.2)
FINANCING ACTIVITIES			
Granting of loans	13	11.9	224.8
Repayment of borrowings	13	(23.6)	(7.9)
Issue of bonds	13	—	50.0
Repayment of bonds	13	(5.2)	(5.2)
Increase (decrease) in other financial payables		125.0	83.4
Consideration for exercise of option on non-controlling interests		(14.9)	—
Net change in financial assets and other non current receivables		(2.6)	4.4
Dividends paid to equity holders of the parent		—	(78.3)
Dividends paid to non-controlling interests		—	(14.6)
Payment of interest		(11.4)	(9.9)
Receipt of interest		0.2	0.3
CASH FLOW PROVIDED BY FINANCING ACTIVITIES(C)		79.4	247.0
NET CHANGE IN CASH AND CASH EQUIVALENTS (D=A+B+C)		**53.8**	**(48.7)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (E)	**10**	**110.7**	**140.9**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (F=D+E)	**10**	**164.5**	**92.2**

Notes to the consolidated financial statements

I.M.A. INDUSTRIA MACCHINE AUTOMATICHE S.P.A. AND SUBSIDIARIES

(The consolidated financial statements have been translated from the original Italian into English solely for the convenience of international readers)

A) OVERVIEW

The periodic financial Information at 30 September 2020 was approved by the Board of Directors on 10 November 2020.

IMA Group is a world leader in the design and production of automatic machines for the processing and packaging of pharmaceuticals, cosmetics, tea, coffee, tobacco and other food products.

The interim results from the market segment in which IMA Group operates are generally not fully representative of those expected for the year as a whole, as sales tend to be concentrated towards the end of the year, which also applies to rival companies operating in the same segment.

The Parent Company of the IMA Group is I.M.A. Industria Macchine Automatiche S.p.A. (referred to as “IMA”, “IMA S.p.A.” or the “Parent Company”), with registered offices at Via Emilia 428/442, Ozzano dell’Emilia (Bologna). IMA is listed on the electronic stock exchange of Borsa Italiana S.p.A. in the STAR segment.

At 30 September 2020 SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A. (“SOFIMA”) holds 22,295,194 shares of IMA, equal to 51.594% of the share capital and 66.956% of the voting rights: In fact, IMA S.p.A. uses the system of shares with increased voting rights pursuant to art. 127-quinquies of the CFA, as commented on in Note 11.

On 28 July 2020, the Board of Directors of IMA S.p.A. announced that it had been informed by the shareholders of the parent company SOFIMA, that they had reached an agreement relating to the sale of approximately 20% of their shares in SOFIMA to funds assisted by BC Partners LLP (“BC Partners”), an international leader in the sector. For further information please refer to the comments on the results for the period, in the section entitled Other information.

IMA S.p.A. has dealings mainly of a commercial nature with the Group’s manufacturing companies, involving the purchase and sale of machines required for the assembly of complete product lines. It also provides these companies with services.

IMA’s dealings with the Group’s marketing companies relate to the sale, distribution and related customer service activities in their respective territories of products manufactured by IMA’s various divisions. IMA’s manufacturing subsidiaries also have similar relationships with these marketing companies.

During preparation of the Periodic Financial Information, impairment tests are carried out on the carrying amounts of goodwill if there are indicators of impairment. Since the Covid-19 pandemic constitutes an external factor of potential presumption of impairment (i.e. an impairment indicator), despite the Group reporting positive results at 30 September 2020 and its market capitalization is well above shareholders’ equity, the validity of the data used and the scenarios developed was verified during the impairment test for the Financial Report at 31 December 2019. As explained in the section on the “Outlook for the rest of the year”, the order trend in the reference sectors in the second and third quarter of the year was positive, despite the situation caused by the Covid-19 emergency, once again highlighting the resilience of the reference sectors in which the Group operates. For further information, please refer to the section on Impacts of the Covid-19 pandemic on the Periodic Financial Information and on the use of estimates and assumptions and to Note 3.

B) GENERAL PREPARATION POLICIES

General principles

The periodic financial information at 30 September 2020 was prepared in compliance with the international accounting standard applicable for the preparation of interim financial statements (“IAS 34 – Interim Financial Reporting”) and includes the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated equity, consolidated cash flow statement and the related notes.

The periodic financial information at 30 September 2020 does not contain all of the information required for an annual report, so it should be read together with the annual report at 31 December 2019.

Although the Group has defined the six-month period as an interim period of reference for the purpose of applying IAS 34 and the definition of interim financial statements indicated in it, the periodic financial information at 30 September 2020 has been prepared in compliance with this standard, in anticipation of its possible inclusion in the documentation to be prepared in the event of extraordinary transactions.

The accounting principles used, the recognition and measurement criteria, as well as the consolidation criteria and methods applied to the periodic financial information at 30 September 2020 are in compliance with those applied when preparing the 2019 annual report, to which reference should be made for their broader discussion.

As an issuer trading on the STAR segment of the MTA market run by Borsa Italiana, IMA is subject to the aforementioned art. 2.2.3 of the Stock Exchange Regulations. As announced on 20 January 2017, the Parent Company will continue to publish quarterly reports within 45 days from the end of the first and third quarter of the year.

FINANCIAL STATEMENTS

The statement of financial position has been classified on the basis of the operating cycle, distinguishing between current and non-current components.

Costs and revenues for the period are presented in two schedules: a consolidated income statement, which analyses costs according to their nature and a consolidated statement of comprehensive income.

The income statement figures for the periodic financial information at 30 September 2020 are compared with those at 30 September 2019, as approved by the Board of Directors on 14 November 2019 and available on the website www.ima.it, to which reference should be made for more details.

Changes in equity are indicated in the relative statement, which also includes those that took place in the first nine months of 2019.

The statement of cash flows has been prepared using the indirect method for determining cash flow from operating activities. The Group classifies interest and dividends as cash flows from financing activities.

Unless stated otherwise, the figures in the periodic financial information at 30 September 2020 are expressed in millions of euros.

CONSOLIDATION PRINCIPLES

The periodic financial information has been prepared using the consolidation principles adopted for preparation of the annual consolidated financial statements at 31 December 2019, as they are compatible.

C) ACCOUNTING POLICIES AND STANDARDS

IMPLEMENTATION OF ACCOUNTING STANDARDS

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2020

The accounting policies used to prepare the periodic financial information at 30 September 2020 are consistent with those used to prepare the financial statements at 31 December 2019, to which the reader is referred for further information. The other amendments and interpretations of accounting standards and methods in force from 1 January 2020 govern circumstances and situations that are not present, not relevant or that have not had material effects on the Group's consolidated financial statements:

- Amendments to References to the Conceptual Framework in IFRS Standards;
- Amendments to IFRS 3 – Definition of a Business;
- Amendments to IAS 1 and IAS 8 – Definition of Material;
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform;
- Amendments to IFRS 16 – Leases: Covid-19 Related Rent Concessions (effective date 1 June 2020).

ACCOUNTING STANDARDS ISSUED BUT NOT YET IN FORCE

The Group does not foresee significant impacts on equity, results and financial situation deriving from the application of the other standards and interpretations that had already been issued, but were not yet in force at the date of preparation of this document:

- Amendments to IAS 1 – Presentation of Financial Statements: classification of liabilities as current or non-current;
- Amendments to IFRS 3 – Reference to the Conceptual Framework;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2;
- Amendments to IAS 16 – Proceeds before intended use;
- Amendments to IAS 37 – Onerous Contracts, costs of fulfilling a contract;
- Annual cycle of improvements to IFRS 2018-2020;
- IFRS 17 – Insurance Contracts;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of assets between an Investor and its associate or joint ventures.

IMPACTS OF THE COVID-19 PANDEMIC ON THE PERIODIC FINANCIAL INFORMATION AND ON THE USE OF ESTIMATES AND ASSUMPTIONS

When preparing consolidated financial statements, management has to apply accounting standards and methods which, in some cases, depend on difficult and subjective valuations and estimates based on past experience, and on assumptions that from time to time have to be considered reasonable and realistic on a case-by-case basis. Application of these estimates and assumptions affects the amounts shown in the financial statements, namely the statement of financial position, income statement and statement of cash flows, as well as the explanatory notes.

Another risk factor is how the Covid-19 pandemic will evolve as its impact on the economy will depend, essentially, on how its intensity changes, how effective the containment measures are and the extent to which people accept having to adjust their behaviour. All matters that are still hard to predict. Despite the current scenario, the periodic financial information has been prepared on a going-concern basis, as there are no significant doubts or uncertainties about the ability to continue in business for the foreseeable future.

The financial statement items that require more subjectivity on the part of the directors in preparing estimates, even more so in the conditions explained above, and for which a change in the conditions underlying the assumptions used can have a significant impact on the Group's consolidated financial statements are:

- goodwill and other intangible assets: no impairment indicators have been identified, as reported in Note 3;
- deferred tax assets;

- inventories;
- revenue from contracts with customers;
- contract assets and liabilities;
- liabilities for employee benefits;
- liabilities calculated as the current value of the exercise price of purchase options on minority interests;
- bad debt provisions;
- identification of a lease contract, estimate of its duration in the presence of options for renewal or early termination, estimate of the components of a lease liability and the related discount rate;
- provisions for risks and charges.

It should also be noted that certain valuation processes, particularly the more complex ones such as assessing whether there is impairment of non-current assets, are generally carried out in full only when preparing the annual financial statements, when all of the information needed is available, except in cases where there are clear signs of impairment that require an immediate assessment of any loss in value. Since the Covid-19 pandemic constitutes an external factor of potential presumption of impairment (i.e. an impairment indicator), the sustainability of the impairment tests described in Note 3 was assessed.

The result for the period is stated net of taxes calculated using the best estimate of the weighted average tax rate expected for the full year.

These estimates and assumptions are reviewed periodically and the effects of any changes are recognized immediately in the period when circumstances change.

During the first nine months, there were no significant effects deriving from the revision of estimates made in previous financial statements.

TRANSLATION OF FOREIGN CURRENCY BALANCES

The main exchange rates used to translate the financial statements of foreign companies into euros are presented below:

	30 September 2020		31 December 2019	30 September 2019	
Currency	Final exchange rate	Average exchange rate	Final exchange rate	Final exchange rate	Average exchange rate
US dollar	1.171	1.125	1.123	1.089	1.124
GB pound sterling	0.912	0.885	0.851	0.886	0.883
Indian rupee	86.299	83.495	80.187	77.162	78.830
Chinese yuan	7.972	7.866	7.821	7.778	7.714
Swiss franc	1.080	1.068	1.085	1.085	1.118
Argentine peso	89.123	89.123	67.275	62.400	62.400

Following the adoption of IAS 29 – Accounting in Hyperinflationary Economies, the average exchange rate for the first nine months of 2020 of the Argentine Peso is equal to the spot exchange rate at 30 September 2020. The Group has applied this standard to the subsidiaries whose functional currency is the Argentine Peso.

D) FINANCIAL RISK MANAGEMENT

RISK FACTORS

The Group is exposed to various types of financial risk connected with its business activities, the following in particular:

- Credit risk arising from commercial transactions or financing activities;

- Liquidity risk related to the availability of financial resources and access to the credit market;
- Market risk, specifically:
  a) Exchange rate risk, relating to operations in areas using currencies other than the functional currency;
  b) Interest rate risk, relating to the Group's exposure to interest-bearing financial instruments;
  c) Price risk, associated with changes in the listed price of capital instruments held as financial assets and in commodity prices.

This periodic financial information does not include all of the disclosures on financial risk management that are required in annual financial statements. It should therefore be read together with the annual report at 31 December 2019, as the Covid-19 pandemic has not changed these risks significantly. There have been no substantial changes in financial risk management nor in the policies adopted by the Group during the period, with the exception of the "Revolving Credit Facilities" indicated in Note 13.

FAIR VALUE

IFRS 13 establishes the following fair value hierarchy to be used when measuring the financial instruments shown in the statement of financial position:

- Level 1: quoted prices in active markets;
- Level 2: inputs other than the quoted prices of Level 1 that are observable on the market, either directly (prices) or indirectly (derived from prices);
- Level 3: inputs that are not based on observable market data.

in millions of euros	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets	—	—	23.5	23.5
Derivative financial instruments	—	0.4	—	0.4
Total assets at 30.09.2020	**—**	**0.4**	**23.5**	**23.9**
Liabilities:				
Payables for acquisition	—	—	102.0	102.0
Derivative financial instruments	—	7.4	—	7.4
Total liabilities at 30.09.2020	**—**	**7.4**	**102.0**	**109.4**
in millions of euros	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets	—	—	22.9	22.9
Derivative financial instruments	—	1.0	—	1.0
Total assets at 31.12.2019	**—**	**1.0**	**22.9**	**23.9**
Liabilities:				
Payables for acquisition	—	—	113.2	113.2
Derivative financial instruments	—	5.4	—	5.4
Total liabilities at 31.12.2019	**—**	**5.4**	**113.2**	**118.6**

The following tables analyses the assets and liabilities measured at fair value at 30 September 2020 and 31 December 2019 by fair value hierarchy level:

During the first nine months of 2020, there were no transfers between the three levels of the fair value hierarchy laid down in IFRS 13. There have not been any significant changes in the commercial or economic circumstances which affect the fair value of financial assets and liabilities.

The following table shows the changes in Level 3 during the first nine months of 2020:

in millions of euros	Assets	Liabilities
Saldo al 01.01.2019	19.0	62.0
Profit/(losses) recognized in PL	2.7	1.1
Profit/(losses) recognized in OCI	1.4	—
Acquisition of ATOP S.p.A.	—	28.3
Acquisition of Perfect Pack S.r.l.	—	17.1
Acquisition of Spreafico Automation S.r.l.	—	9.3
Acquisition of Tecmar S.A. and Spares & More S.r.l.	—	3.2
Increases / (decreases)	(3.0)	(0.4)
Balance at 30.09.2019	**20.1**	**120.6**
Saldo al 01.01.2020	22.9	113.2
Profit/(losses) recognized in PL	—	0.1
Profit/(losses) recognized in OCI	1.1	—
Increases / (decreases)	(0.5)	(11.3)
Balance at 30.09.2020	**23.5**	**102.0**

The liabilities at 30 September 2020 mainly consist of payables for the options subscribed in connection with the purchase of minority interests in subsidiaries.

E) SCOPE OF CONSOLIDATION

The periodic financial information at 30 September 2020 includes the financial and operating information of I.M.A. Industria Macchine Automatiche S.p.A. (the Parent Company) and all the companies in which it directly or indirectly holds a controlling interest. A list of the companies included in the consolidation is provided in paragraph G of the Notes, with an indication of the consolidation method used. The main events in the first nine months of 2020 regarding the companies included in the scope of consolidation are as follows:

- absorption by IMA S.p.A., with effect from 1 January 2020, of the directly or indirectly wholly owned subsidiaries GIMA S.p.A., GS Coating Technologies S.r.l., Mapster S.r.l. and Revisioni Industriali S.r.l.;
- absorption by Eurosicma S.p.A., with effect from 1 January 2020, of the wholly owned subsidiary O.A.SYS. S.r.l.;
- on 3 March 2020, the subsidiary TMC North America Inc. completed the acquisition of the residual 49% of its investment in Valley Tissue Packaging Inc. for an amount of 3.5 million US Dollars, after exercising the option envisaged in the contract;
- on 21 May 2020, Tissue Machinery Company S.p.A. finalized the purchase of the residual 20% of its investment in Spares & More S.r.l. for an amount of 0.7 million euros, following the exercise of the option envisaged in the contract;
- on 10 June 2020, as part of the original Put & Call agreements, signed on the date of entry into the share capital, IMA completed the closing for the purchase of an interest representing 30% of Eurosicma S.p.A.; the consideration paid to the sellers for the transaction is 11.2 million euros. As a result of the purchase, IMA now holds 90% of Eurosicma S.p.A. As part of the agreements, IMA also signed Put & Call option contracts on the other 10%;
- on 15 June 2020 the Group completed the purchase of 71.4% of Record S.p.A., a company based in Garbagnate Monastero (LC), leader in the design and production of low-medium speed machinery and plants in the flexible packaging sector, known as “flow pack”, for the packaging of food and non-food products. In addition, option contracts were signed for the residual shares held by the minority shareholders. See Note 23 “Business combinations” for further information;
- on 31 July 2020, IMA S.p.A. signed an agreement relating to the sale to third parties of the entire equity investment, equal to 100% of the share capital, in Hassia Packaging Pvt. Ltd., based in Pune (India). Hassia India, which produces low-cost machines for forming, filling and sealing and

for single-dose packaging for food, detergents, chemicals and cosmetics, mainly for the Asian and African market, closed 2019 with around 5 million euros in revenue and a profit of approximately 0.3 million euros. The sale price, equal to 3.1 million euros, was paid in full at the closing and measurement of the recoverable value of the asset led to the recognition of an impairment loss of 1.5 million euros;

- on 14 September 2020, the plan for IMA S.p.A. to absorb its wholly-owned subsidiary Corazza S.p.A. was filed with the Bologna Companies Register. The merger will take place in a simplified form, so without an exchange of shares, without the merging company increasing its capital and without any amendment to its articles of association. The merger will help simplify the IMA Group's corporate structure and optimise management of the related cash flows. The merger resolutions were approved by the Board of Directors of IMA S.p.A. and by the Shareholders' Meeting of Corazza S.p.A. and filed with the Companies Register on 20 October 2020. The merger deed will be signed later this year, taking effect from 1 January 2021.

F) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The changes reported below were determined with respect to the amounts at 31 December 2019 for statement of financial position items and the amounts for the first nine months of 2019 for income statement items.

1. SEGMENT INFORMATION

Operating segments have been identified based on the internal reports used by senior management, in order to allocate resources by sector and evaluate the results. The following are the operating segments into which the Group's activities are divided:

Tea, Food & Other sector

It produces plants for the processing of coffee, machines for the packaging of tea and herbal teas in filter bags and the packaging of coffee, for the food & beverage sector, for the personal care sector, for the dairy sector and for stock cubes and for primary packaging in the food sector with the use of flexible material (horizontal and vertical flow packs) for assembling medical products, for the tissue segment and the production of electric motors, plus related services. Operations in this sector are mainly carried out by these companies:

- IMA S.p.A. manufactures:
  - machines for the packaging of tea and herbs in filter bags and the packaging of coffee in pods, through the Tea & Herbs Division;
  - overhaul of used machines for processed cheeses and tea and herbs in filter paper bags through the RI Division;
  - machines for food and personal care through the GIMA Division;
  - machines for the coffee sector through the Coffee Division;
  - machines for assembly through the Automation Division;
  - pouch-filling machines through the Flex Pack Division;
- ATOP S.p.A. produces machines and automatic lines for manufacturing electric motors and rotors for the automotive sector;
- Benhil GmbH produces machines for forming, filling and sealing, for containers and sticks, for ultraclean closure and wrapping machines;
- Ciemme S.r.l. produces automatic end-of-line cartoning machines and systems;
- Corazza S.p.A. produces machines and plant for the dosing and packaging of cheese portions and stock cubes;
- Eurosicma S.p.A. and Eurotekna S.r.l. manufacture machines and systems for horizontal flowpack and fold packaging for the food and cosmetics industries;

- Ilapak International SA, Ilapak Italia S.p.A., Ilapak (Beijing) Packaging Machinery Co. Ltd. and Delta Systems & Automation Llc. produce automated machines and lines for flexible food and non-food packaging, using horizontal and vertical packaging technologies;
- IMA MAI S.A. manufactures machines for the packaging of tea and herbal teas in filter bags;
- IMA Automation Switzerland SA, IMA Automation USA Inc. and IMA Automation Malaysia Sdn. Bhd. manufacture machines for assembling medical products for self-medication, such as inhalers, insulin syringes and injection systems;
- Petroncini Impianti S.p.A. designs, manufactures, installs and operates complete plants for the processing of coffee and related food products;
- Record S.p.A. designs and produces low-medium speed machinery and plants in the flexible packaging sector, known as “flow pack”, for the packaging of food and non-food products;
- Spreafico Automation S.r.l. produces machines for filling and packaging coffee capsules;
- Tecmar S.A. produces packaging machines for the coffee and food sectors;
- Teknoweb Converting S.r.l. produces machines for the production of wet wipes (converting sector);
- Telerobot S.p.A. manufactures machinery for the assembly of plastic materials in the caps and closures sector;
- Tissue Machinery Company S.p.A. and Valley Tissue Packaging Inc. produce automatic machines for the packaging and management of tissue and personal care products.

Pharmaceutical sector

It makes machines for the packaging of pharmaceutical capsules and tablets in blisters and bottles, machines for filling bottles and vials with liquid and powdered products in sterile and non-sterile environments, machines for freeze-drying, tube-filling, cartoning and bag-filling, systems for the production of tablets and capsules and for coating and fluid-bed granulation, for end-of-line equipment as well as related services.

Operations in this sector are mainly carried out by the following companies:

- IMA S.p.A. manufactures:
  - blister-pack machines, machines for the packaging of gelcaps, capsules and tablets and cartoning machines through IMA Safe Division;
  - machines for the filling of flacons and vials with liquid products and powders under sterile and non-sterile conditions and freeze-drying systems through IMA Life Division;
  - tablet pressing machines, capsule filling machines, coating and granulating machines, machines for the movement of powders and depowdering of tablets through the IMA Active Division;
  - end-of-line machines through the BFB Division;
- CO.MA.DI.S. S.p.A. manufactures tube-filling machines for the pharmaceuticals, cosmetics, chemicals and food industries;
- IMA Life (Shanghai) Pharmaceutical Machinery Co. Ltd. produces filling systems under sterile conditions;
- IMA Life The Netherlands B.V., IMA Life North America Inc. and IMA Life (Beijing) Pharmaceutical Systems Co. Ltd. manufacture freeze-drying plants for the pharmaceutical industry;
- IMA-PG India Pvt Ltd. operates in the production of blister and cartoning machines, mainly for emerging nations;
- IMA Swiftpack Ltd. and IMA North America Inc. manufacture machines for the bottling of capsules and tablets for the pharmaceutical industry;

- Perfect Pack S.r.l. produces automatic enveloping machines and complete lines for single-dose packs for various different markets: pharmaceutical, cosmetic, nutraceutical and chemical;
- Pharmasiena Service S.r.l. produces filling systems for phials and syringes under sterile conditions.

Tobacco packaging sector

It designs, manufactures and markets machines and plants for tobacco packaging and related services. The activity in this sector is carried out by the Parent Company's IMA T&T Division.

From 2020, the BFB (end-of-line machines) Division, previously part of the Tea, Food & Other sector, has been allocated to the Pharmaceutical sector. The comparative figures have been consistently restated.

The information on operating segments for the first nine months of 2020 and 2019 is provided below:

	from 01.01.2020 to 30.09.2020				
in millions of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Not allocated (*)	Total
Revenue from contracts with customers	480.3	474.3	61.2	—	1,015.8
Segment operating profit	4.4	56.9	13.9	—	75.2
Net financial income (expense) (**)					(19.2)
Profit (loss) from investments accounted for using the equity method	(0.1)	3.1	—	0.8	3.8
Profit before taxes					59.8
Taxes					(19.4)
Net profit for the period					40.4

	from 01.01.2019 to 30.09.2019				
in millions of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Not allocated (*)	Total
Revenue from contracts with customers	441.1	512.9	54.3	—	1,008.3
Segment operating profit	6.5	55.7	9.7	—	71.9
Net financial income (expense) (**)					43.6
Profit (loss) from investments accounted for using the equity method	—	3.1	—	—	3.1
Profit before taxes					118.6
Taxes					(27.9)
Net profit for the period					90.7

(*) Not allocated amount relate to investments not directly attributable to the operating sectors.
(**) Financial income and expense have not been allocated to the individual operating segments, since it is not possible to indicate specific amounts for each segment; this subdivision is not made in internal reports.

Consolidated revenue for the first nine months of 2020 reached 1,015.8 million euros compared with 1,008.3 million euros in the same period of 2019, an increase of 0.7% despite the slowdown in the first quarter generated by the Covid-2019 situation, partially recovered during the second and third quarters of the year. In particular, production in the third quarter was not lower than the average for previous quarters as in August there were no reductions during the period usually dedicated to holidays.

A key feature of the industry in which IMA Group operates is that interim results do not fully reflect the results that are expected for the entire year, because of time distributions that can vary significantly, as happened during the third quarter of this year.

Tea, Food & Other segment revenue has increased compared with the previous year with a contribution of 1.9 million euros by the Record business and thanks to the lines for surgical masks made for the Civil Defence, which were all delivered during the third quarter of the current year. Operating profit has decreased by 2.1 million euros because of higher amortisation and depreciation following the acquisition of ATOP and the allocation of consolidation differences.

Revenue in the Pharmaceutical segment is down compared with the same period of the previous year (-38.6 million euros) and reflects a lower intake of orders compared with the previous year. Operating profit is substantially in line at 56.9 million euros compared with 55.7 million euros in the same period of 2019.

Revenue in the Tobacco sector amounts to 61.2 million euros, an increase on the previous year (54.3 million euros) because of a different distribution of deliveries compared with the previous period, despite the lower backlog at the beginning of the year and fewer new orders acquired in the sector for new generation products. Operating profit increased by 4.2 million euros.

Total assets at 30 September 2020 and 31 December 2019 are as follows:

in millions of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Not-allocated (*)	Total
Total assets at 30 September 2020	1,351.8	679.8	73.0	297.0	2,401.6
Total assets at 31 December 2019	1,332.9	652.1	59.5	256.5	2,301.0

(*) Not allocated assets principally comprise investments, cash and financial assets, income tax receivable and deferred tax assets not directly attributable to the operating segments.

Following the adoption of IFRS 15, the Group has broken down the revenue from contracts with customers into categories that illustrate how economic factors affect the nature, amount, timing and degree of uncertainty of revenue and financial flows.

Both the information provided in the presentations to investors and the information periodically reviewed by the highest operational decision-making level were considered and therefore the breakdown of revenue subsequently presented in three categories was considered appropriate: geographical area, business segment and timing of recognition.

REVENUE BY GEOGRAPHICAL AREA

	from 01.01.2020 to 30.09.2020			
in millions of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
European Union (excluding Italy)	107.3	165.7	28.1	301.1
Other European countries	54.2	40.7	4.7	99.6
North America	106.5	68.1	2.1	176.7
Asia & Middle East	68.7	97.4	16.4	182.5
Italy	84.7	60.2	9.9	154.8
Other countries	58.9	42.2	—	101.1
Total	480.3	474.3	61.2	1,015.8

	from 01.01.2019 to 30.09.2019			
in millions of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
European Union (excluding Italy)	116.0	157.7	13.4	287.1
Other European countries	49.2	18.4	3.4	71.0
North America	111.5	88.2	—	199.7
Asia & Middle East	64.2	121.6	27.4	213.2
Italy	45.8	63.0	9.8	118.6
Other countries	54.4	64.0	0.3	118.7
Total	441.1	512.9	54.3	1,008.3

REVENUE BY BUSINESS CATEGORY

in millions of euros	from 01.01.2020 to 30.09.2020 Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Original Equipment	338.0	314.2	41.7	693.9
After-Sales	142.3	160.1	19.5	321.9
Total	480.3	474.3	61.2	1,015.8

in millions of euros	from 01.01.2019 to 30.09.2019 Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Original Equipment	310.6	347.5	25.3	683.4
After-Sales	130.5	165.4	29.0	324.9
Total	441.1	512.9	54.3	1,008.3

REVENUE BY TIMING OF RECOGNITION

in millions of euros	from 01.01.2020 to 30.09.2020 Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Revenue at a point in time	247.3	202.2	16.2	465.7
Revenue over time	233.0	272.1	45.0	550.1
Total	480.3	474.3	61.2	1,015.8

in millions of euros	from 01.01.2019 to 30.09.2019 Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Revenue at a point in time	236.5	200.8	22.6	459.9
Revenue over time	204.6	312.1	31.7	548.4
Total	441.1	512.9	54.3	1,008.3

2. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment show a net increase of 6.5 million euros compared with 31 December 2019.

Movements in property, plant and equipment during the period are analysed as follows:

in millions of euros	Land and Building	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
Balances at 01.01.2020	**46.4**	**24.1**	**5.6**	**13.7**	**10.4**	**100.2**
Additions	0.2	6.1	1.3	2.7	5.4	15.7
Sales and eliminations	(0.6)	(0.4)	—	—	—	(1.0)
Depreciation	(1.2)	(4.3)	(1.7)	(3.3)	—	(10.5)
Change in scope of consolidation	3.5	—	—	0.1	—	3.6
Reclassifications and other changes	(0.7)	2.2	—	(0.1)	(2.7)	(1.3)
Balances at 30.09.2020	**47.6**	**27.7**	**5.2**	**13.1**	**13.1**	**106.7**

Additions for the period mainly relate to the purchase of plant, machinery and electronic machines and to the construction of an industrial shed by ATOP S.p.A.

Sales and disposals mainly relate to the sale to third parties of the entire investment in Hassia India Pvt. Ltd.

The change in the scope of consolidation relates to Record S.p.A.

“Other assets” comprise:

in millions of euros	30.09.2020	31.12.2019
Electronic office equipment	8.4	8.4
Office furniture and fittings	3.1	3.0
Vehicles	1.4	1.6
Other	0.2	0.7
Total	**13.1**	**13.7**

Fixed assets under construction and advances mainly include an industrial shed owned by ATOP S.p.A. and equipment and machinery under construction.

Mortgages have been granted on the properties of Castel Guelfo (BO), Barberino Tavarnelle (FI) and Garbagnate Monastero (LC), owned by Tissue Machinery Company S.p.A., ATOP S.p.A. and Record S.p.A. respectively, against loans as commented in Note 13.

Right of use assets

The following table provides details of the rights of use assets and related changes during the period:

in millions of euros	Land and Building	Plant and machinery	Industrial & comm. equipment	Other assets	Assets under construction	Total
Balances at 01.01.2020	**191.6**	**1.1**	**0.1**	**5.7**	**14.3**	**212.8**
Additions	10.6	—	—	0.9	10.9	22.4
Depreciation	(19.0)	(0.2)	—	(2.0)	—	(21.2)
Reclassifications and other changes	(2.7)	—	—	(0.1)	1.5	(1.3)
Balances at 30.09.2020	**180.5**	**0.9**	**0.1**	**4.5**	**26.7**	**212.7**

The increase in land and buildings refers for 3.1 million euros to work on the building in Castel San Pietro Terme (BO) belonging to the Parent Company.

The other assets are essentially cars and assets under construction are mainly attributable to CMRE S.r.l.’s building complex under construction in Ozzano dell’Emilia (BO).

There are no internal or external elements to suggest that property, plant and equipment and right of use assets have suffered an impairment in value.

3. Intangible assets

The movements in intangible assets during the period are analysed as follows:

in millions of euros	Development costs	Industrial patents rights	Software licences, trademarks and similar	Goodwill	Asset under development and advances	Total
Balances at 01.01.2020	**164.2**	**6.7**	**194.3**	**478.4**	**31.2**	**874.8**
Additions	4.9	1.3	1.3	—	11.5	19.0
Acquisitions in the period	0.1	—	—	7.2	—	7.3
Decreases	(0.2)	(0.1)	(0.7)	(1.8)	—	(2.8)
Amortization	(21.6)	(1.6)	(13.0)	—	—	(36.2)
Reclassifications and other changes	6.6	—	0.5	(0.4)	(7.3)	(0.6)
Balances at 30.09.2020	**154.0**	**6.3**	**182.4**	**483.4**	**35.4**	**861.5**

in millions of euros	Year of acquisition	30.09.2020	31.12.2019
ATOP S.p.A.	2019	39.4	42.9
Spreafico Automation S.r.l.	2019	15.6	17.0
Perfect Pack S.r.l.	2019	4.4	4.8
Tecmar S.A.	2019	1.8	1.9
Ciemme S.r.l.	2018	3.7	4.1
TMC Group	2018	19.7	21.6
Petroncini Impianti S.p.A.	2018	5.8	6.4
Eurosicma S.p.A.	2017	13.4	14.7
Benhil GmbH	2015	5.8	6.9
Ilapak Group	2013	4.8	6.0

Development costs include the costs incurred for unpatented technology, the useful life of which has been estimated to be between 5 and 13 years and is attributable to the following acquisitions:

In addition, this caption includes costs of 8.5 million euros incurred by the Parent Company on projects related to the Pharmaceutical sector, 10.6 million euros on project development for the Tea, Food & Other sector and 7.0 million euros on projects relating to the Tobacco sector.

Software, licences, trademarks and other rights mainly include applications, management, administrative and technical software and intangible assets related to customers ("customer list") and trademarks for 118.2 million euros and 52.8 million euros respectively, recognized following the acquisitions of ATOP, Perfect Pack, Spreafico, Eurosicma, Ilapak, TMC, Petroncini and Ciemme.

Goodwill comprises the following:

in millions of euros	30.09.2020	31.12.2019
Tea, Food & Other:		
CGU ATOP	239.8	239.8
CGU Automation	16.4	16.4
CGU Coffee	12.5	12.5
CGU Food & Dairy	40.0	41.8
CGU Flex Pack	43.9	36.7
CGU Tea	16.9	16.9
CGU Tissue	37.6	37.6
	407.1	**401.7**
Pharmaceutical:		
CGU Active	12.5	12.5
CGU Life	27.4	27.4
CGU Safe	36.4	36.8
	76.3	**76.7**
Total	**483.4**	**478.4**

This presentation considers the revision of the CGUs carried out starting from the Financial Report at 31 December 2019, with the identification of the "CGU groups" which represent the new minimum unit for monitoring goodwill.

For further information on the goodwill recognized following the acquisition of Record S.p.A., included in the Flex Pack CGU, please refer to the comments in Note 23 Business Combinations.

The impairment tests performed on goodwill pursuant to IAS 36 did not identify the need for any write-downs, having regard for current forecasts and the absence of events suggesting possibly significant losses of value. During preparation of the Periodic Financial Information, impairment tests are carried out on the carrying amounts of goodwill if there are indicators of impairment. Since the Covid-19 pandemic constitutes an external factor of potential presumption of impairment (i.e. an impairment indicator), despite the Group reporting positive results at 30 September 2020 and its market capitalization is well above shareholders' equity, the validity of the data used and the scenarios developed was verified during the impairment test for the Financial Report at 31 December 2019. As already mentioned in the chapter on the "Outlook for the rest of the year", the trend of orders in the reference sectors in the second and third quarter of the year was positive despite the situation linked to the Covid-19 emergency, highlighting once again the resilience of the sectors in which the Group operates. The consistency of the backlog and the number of projects under negotiation, even of significant amounts, is a positive sign that not only has the Group not received order cancellations, but customers continue to plan investments despite the current situation of health emergency that characterizes not only Italy but the whole world. No impairment indicators emerged from this analysis.

In addition, during prior years, the amounts of goodwill of the Nova Group (Safe CGU), Zanchetta and ICO Oleodinamici (Active CGU) were written down by 0.8 million euros, 2.5 million euros and 1.5 million euros, respectively.

Assets under development and advances mainly relate to the capitalization of development costs in progress and new technologies incurred by the Parent Company (27.3 million euros), Tissue Machinery Company S.p.A. (2.4 million euros) and ATOP S.p.A. (1.9 million euros). Assets under development have been tested for impairment, but no signs of impairment emerged.

4. Investments accounted for using the equity method

This item comprises:

in millions of euros	30.09.2020	31.12.2019
Associates:		
Alfa S.r.l.	4.0	—
Amherst Stainless Fabrication Llc	0.4	0.4
A.P.M. Assembly Packaging Machinery S.r.l.	0.3	0.4
B.C. S.r.l.	3.6	3.3
Bacciottini F.lli S.r.l.	1.4	0.9
Bolognesi S.r.l.	1.4	1.2
Doo Officina-Game East Vrsac	0.4	0.4
I.E.M.A. S.r.l.	2.0	1.8
IMA Dairy & Food Holding GmbH	4.6	4.6
Inkbit Llc	—	1.8
LA.CO S.r.l.	0.5	0.5
Logimatic S.r.l.	1.4	1.2
Meccanica Sarti S.r.l.	1.3	1.3
MORC 2 S.r.l.	2.1	1.8
O.M.S. Officina Meccanica di Sonico S.r.l.	1.2	1.1
SIL.MAC. S.r.l.	2.1	1.6
Sirio S.p.A. Associazione in partecipazione	2.0	2.6
Other associates	1.6	1.2
Total	**30.3**	**26.1**

Trade payables to associates reflects the Group's constant commitment in pursuing close collaboration with those suppliers that play a key role in production, also by considering the possibility of becoming shareholders in their companies.

During 2020, the subsidiary Packaging Manufacturing Industry S.r.l. acquired 40% of Alfa S.r.l., based in Bologna, which is active in the study and production of projects, machines, systems and software in the production process for the chemical industry.

At 30 September 2020, the Group assessed whether there was any evidence that investments in associated companies had suffered an impairment loss. From the analysis carried out, also in light of the health emergency, no elements emerged that made value adjustments necessary.

Brief information about transactions with associates is given below:

- Amherst Stainless Fabrication Llc operates in the field of mechanical engineering and industrial assembly;
- A.P.M. Assembly Packaging Machinery S.r.l. operates in the assembly, production and sale of mechanical parts, machinery and systems in general;
- B.C. S.r.l. manufactures machine parts for the Group and third parties;
- Bacciottini F.lli S.r.l. processes sheet metal for pharmaceutical machinery;
- Bolognesi S.r.l. operates in the field of mechanical engineering and industrial assembly;
- Doo Officina-Game East Vrsa operates in the field of mechanical engineering, specialising in the construction of machines for third parties;
- I.E.M.A. S.r.l. designs and produces equipment for automated machinery;
- IMA Dairy & Food Holding GmbH, through its subsidiaries, looks after the design, construction and sale of automatic machines and integrated systems, to form, fill and seal food products, particularly in the dairy sector;
- LA.CO. S.r.l. manufactures mechanical constructions and repairs machine tools;
- Logimatic S.r.l. operates in the marketing, distribution and testing of automatic machines;
- Meccanica Sarti S.r.l. is active in the construction of mechanical components for machinery;
- MORC 2 S.r.l. operates in the manufacture of industrial handling and automation systems;
- OMS Officina Meccanica di Sonico S.r.l. is active in the machining of mechanical parts and machine construction;
- SIL.MAC. S.r.l. operates in the field of mechanical engineering, specialising in the construction of machines for third parties.

5. Financial assets

The item breaks down as follows:

in millions of euros	30.09.2020	31.12.2019
Non-current:		
- Financial assest measured at amortized cost	42.9	42.5
- Financial assest measured at FVOCI	6.0	6.9
- Financial assest measured at FVPL	0.4	0.4
	49.3	**49.8**
Current:		
- Financial assest measured at amortized cost	3.1	2.6
- Financial assest measured at FVOCI	17.1	15.6
	20.2	**18.2**
Total	**69.5**	**68.0**

Non-current financial assets measured at amortised cost essentially refer to the loan granted by the Parent Company to the associate IMA Dairy & Food Holding GmbH for 40.0 million euros. There is no evidence that the Covid-19 pandemic has changed its recoverability.

Current financial assets measured at amortised cost essentially consist of loans granted by the Parent Company and Packaging Manufacturing Industry S.r.l. to certain associates.

Current financial assets valued at FVOCI mainly include investment funds attributable to the Parent Company for 14.5 million euros.

As regards the fair value hierarchy of financial assets, please refer to the section entitled “Financial risk management”.

6. Derivative financial instruments

Derivative financial instruments comprise:

in millions of euros	Assets 30.09.2020	Liabilities 30.09.2020	Assets 31.12.2019	Liabilities 31.12.2019
Interest rate hedging instruments – cash flow hedges	—	7.3	—	5.3
Exchange rate hedging instruments – cash flow hedges	0.4	0.1	1.0	0.1
Total	**0.4**	**7.4**	**1.0**	**5.4**

Interest rate derivatives

At 30 September 2020, the amount of 4.8 million euros in liabilities represents the fair value of derivative contracts to hedge interest rate risk arranged by the Parent Company with leading banks and connected to a bond loan, and part of the medium-term loans that expire by the end of 2024, on a nominal value of 21.4 million US dollars and 330.1 million euros and a finance lease that expires in 2026 on a nominal value of 5.4 million euros.

Furthermore, the residual amount of 2.5 million euros in liabilities represents the fair value of the derivative contracts to hedge interest rate risk stipulated by ATOP S.p.A., CMRE S.r.l. and Tissue Machinery Company S.p.A. on a total nominal value of 40.7 million euros.

Exchange rate derivatives

At 30 September 2020, the amount of 0.4 million euros in assets and 0.1 million euros in liabilities are the fair value of the forward currency purchase and sale contracts taken out by the Group to manage its exchange risk exposure based on a notional of 10.0 million US dollars and 99.4 million Chinese yuan.

7. Deferred tax assets and liabilities

At 30 September 2020, the deferred tax asset of 56.8 million euros (58.3 million euros at 31 December 2019) mainly relates to a deferred tax asset recognized in 2012 on the release of the step-up in the carrying amounts of the controlling interests recorded in IMA S.p.A.'s consolidated financial statements and temporary differences arising on provisions. On the basis of the projections of the Group's expected tax results, there are no critical issues that preclude the recoverability of the deferred tax assets.

At 30 September 2020, deferred tax liabilities amount to 100.2 million euros (108.8 million euros at 31 December 2019) and relate mainly to temporary differences between the book values of certain tangible and intangible assets and their values recognized for tax purposes.

8. Inventories

This item comprises:

	30.09.2020			31.12.2019		
in millions of euros	Gross value	Impairment provision	Net value	Gross value	Impairment provision	Net value
Raw, ancillary and consumable materials	106.0	(15.8)	90.2	90.0	(13.5)	76.5
Work in progress and semifinished goods	355.3	(47.2)	308.1	294.7	(41.4)	253.3
Finished products and goods for resale	15.6	(2.8)	12.8	17.3	(2.9)	14.4
Total	**476.9**	**(65.8)**	**411.1**	**402.0**	**(57.8)**	**344.2**

The increase in inventories since 31 December 2019 reflects the preparation of machines for delivery to customers in the fourth quarter, as well as the backlog at the end of September.

Movements in these provisions in the period were as follows:

in millions of euros	
Balances at 01.01.2019	**48.3**
Net provisions (uses)	5.2
Change in scope of consolidation	4.3
Exchange rate difference	0.3
Balances at 30.09.2019	**58.1**
Balances at 01.01.2020	**57.8**
Net provisions (uses)	7.2
Change in scope of consolidation	1.1
Exchange rate difference	(0.3)
Balances at 30.09.2020	**65.8**

The net increase in inventories reported in the consolidated cash flow statement differs from the change in the corresponding item of the statement of financial position mainly as a result of inventories attributable to the business combination, as commented in Note 23.

9. Trade and other receivables and contract assets

Trade and other receivables

This item comprises:

in millions of euros	30.09.2020	31.12.2019
Trade receivables	194.7	182.9
Advances to suppliers	28.2	29.1
Tax receivables	14.9	15.9
Deferred costs	12.6	10.1
Other receivables	6.6	5.9
Total	**257.0**	**243.9**

Trade receivables

Trade receivables include amounts due from customers of 179.3 million euros (171.8 million euros at 31 December 2019) and receivables from associates of 15.4 million euros (11.1 million euros at 31 December 2019).

Customer receivables falling due beyond 12 months amounted to 1.0 million euros (1.4 million euros at 31 December 2019). Deferred payment terms granted to customers resident in countries presenting particular risks are guaranteed by suitable financial instruments to secure collection. There are no significant financial components or rights to make returns.

Trade receivables are carried net of accumulated provisions amounting to 19.7 million euros (19.4 million euros at 31 December 2019).

Assigned receivables not yet due at 30 September 2020 amount to 29.3 million euros, of which 15.8 million euros have been assigned to factoring companies and 13.5 million euros to other financial institutions. 2020 saw the assignment without recourse of receivables with an overall nominal value of around 48.8 million euros.

Advances to suppliers

At 30 September 2020, these relate to advances for goods to be used in production and for services totalling, respectively, 20.9 million euros (17.7 million euros at 31 December 2019) and 7.3 million euros (11.4 million euros at 31 December 2019).

This balance includes 5.4 million euros of advances to associated companies (3.2 million euros at 31 December 2019).

TAX RECEIVABLES

Tax receivables mainly consist of VAT recoverable.

CONTRACT ASSETS

Contract assets relating to contract works are shown net of the related advances, as illustrated below:

in millions of euros	30.09.2020	31.12.2019
Contract assets related to contract works	561.3	595.0
Advances received	(340.4)	(358.3)
Total	**220.9**	**236.7**

These contract assets consist of the amount due from customers for contracts in progress at the end of the year, net of advances already received. Contract work is recorded over a period of time and assessed according to the percentage of completion method based on inputs and is therefore to be considered as amounts due to expire.

The net increase in trade and other receivables reported in the consolidated cash flow statement differs from the change in the corresponding item of the statement of financial position mainly as a result of trade receivables attributable to the business combination, as commented in Note 23.

10. CASH AND CASH EQUIVALENTS

This item comprises:

in millions of euros	30.09.2020	31.12.2019
Bank current accounts	161.2	107.7
Deposits	2.9	2.8
Cheques and cash	0.4	0.2
Total	**164.5**	**110.7**

For a better understanding of the trend in net financial indebtedness, reference should be made to Note 13.

11. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

SHARE CAPITAL

The share capital at 30 September 2020, 22.5 million euros, is the share capital issued (fully subscribed and paid up) by the Parent Company, IMA S.p.A., and is made up of 43,212,509 ordinary shares with a par value of 0.52 euros each.

By resolution of 21 April 2017, the Extraordinary Shareholders' Meeting of IMA approved the amendment of certain provisions of the articles of association to provide for the increase in voting rights pursuant to art. 127 quinquies CFA (similar to the concept of loyalty shares).

After uninterrupted ownership of the shares for twenty-four months from the date of registration in the specific list, a number of shareholders have acquired the right to two votes for each share that they hold.

The total amount of voting rights, which has been disclosed in the terms of art. 85 bis of the Issuers Regulation, is, as of today, equal to 66,596,241. It should also be noted that there are 451,110 shares registered in the list of increased voting rights, which are currently maturing.

TREASURY SHARES

At 31 December 2019 IMA S.p.A. held 107,000 treasury shares, equal to 0.248% of its share capital. The Parent Company did not carry out any transactions in its own shares during the first nine months of 2020.

ALLOCATION OF THE PROFIT FOR 2019

The Shareholders' Meeting of 10 June 2020 resolved to allocate the profit for the year 2019, of 91.3 million euros, as follows: 0.2 million euros to the legal reserve, which reached one fifth of the share capital, and the balance of 91.1 million euros to the "Extraordinary Reserve".

FAIR VALUE RESERVE

in millions of euros	
Balance at 01.01.2019	**(2.9)**
Financial assets at FVOCI	
Measurement at fair value	1.4
Fair value – tax effect	(0.3)
Cash flow hedges/hedging instruments	
Change in scope of consolidation	(0.9)
Measurement at fair value	(3.7)
Fair value – tax effect	0.9
Realization recognized in PL	0.6
Tax effect – realization recognized in PL	(0.2)
Balance at 30.09.2019	**(5.1)**
Balance at 01.01.2020	**(4.3)**
Financial assets at FVOCI	
Measurement at fair value	0.1
Cash flow hedges/hedging instruments	
Measurement at fair value	(1.5)
Fair value – tax effect	0.2
Realization recognized in PL	(0.3)
Balance at 30.09.2020	**(5.8)**

The changes in the fair value reserve are analysed as follows:

OTHER RESERVES AND RETAINED EARNINGS

The changes during the period principally reflect the allocation to reserves of the profit for the prior period.

In addition, this item includes the reserve on the remeasurement of defined benefit plans, the movements of which during the period were as follows:

in millions of euros	
Balance at 01.01.2019	**(6.0)**
Change in scope of consolidation	(0.4)
Actuarial value	(2.6)
Tax effect	0.5
Balance at 30.09.2019	**(8.5)**
Balance at 01.01.2020	**(9.5)**
Actuarial value	(3.4)
Tax effect	0.5
Balance at 30.09.2020	**(12.4)**

12. Non-controlling interests

The direct and indirect investments held by the Parent Company IMA S.p.A. together with non-controlling interests are indicated below:

		30 September 2020		31 December 2019	
	Country	% held by the Group	% held by third parties	% held by the Group	% held by third parties
ATOP S.p.A.	Italy	90.98%	9.02%	90.98%	9.02%
ATOP (Shanghai) Electrical Equipment Co. Ltd.	PRC	90.98%	9.02%	90.98%	9.02%
Digidoc S.r.l.	Italy	80%	20%	80%	20%
Eurotekna S.r.l.	Italy	85.71%	14.29%	85.71%	14.29%
IMA Fuda (Shanghai) Packaging Mach. Co. Ltd.	PRC	80%	20%	80%	20%
IMA Life (Shanghai) Ph. Mach. Co. Ltd.	PRC	86.29%	13.71%	86.29%	13.71%
Petroncini Impianti S.p.A.	Italy	80%	20%	80%	20%
Petroncini International Trad. (Shanghai) Co. Ltd.	PRC	80%	20%	80%	20%
Pharmasiena Service S.r.l.	Italy	70%	30%	70%	30%
Record S.p.A.	Italy	90.88%	9.12%	—	—
Teknoweb N.A. Llc	USA	75%	25%	75%	25%
Transworld Packaging Holding S.p.A.	Italy	81%	19%	81%	19%

Transworld Packaging Holding S.p.A. controls twelve companies, either directly or indirectly. For further information, see the list of equity investments provided in section G of the explanatory notes and the section entitled “Group Structure”.

Non-controlling interests at 30 September 2020 amounted to 9.6 million euros (11.4 million euros at 31 December 2019) and refer to ATOP S.p.A. for 8.6 million euros.

13. Borrowings and lease liabilities

Borrowings

The item includes financial liabilities valued at amortized cost and, in particular, amounts due to banks of 620.4 million euros (491.5 million euros at 31 December 2019), amounts due to other lenders of 0.5 million euros (1.3 million euros at 31 December 2019) and bonds of 146.2 million euros (152.4 million euros at 31 December 2019).

Payables to banks

Payables to banks comprise:

in millions of euros	30.09.2020	31.12.2019
Non-current:		
- Applied research and technological innovation loans	3.6	4.6
- Other loans	358.9	372.1
	362.5	**376.7**
Current:		
- Current accounts	15.1	2.7
- Advances on domestic transactions (Italy)	13.4	8.7
- Advances on export transactions	175.6	58.4
- Advances on export transactions to be carried out	16.0	11.3
- Applied research and technological innovation loans	2.1	2.0
- Other loans	35.7	31.7
	257.9	**114.8**
Total	**620.4**	**491.5**

Applied research and technological innovation loans

During the period, the instalments falling due for 1.0 million euros were regularly reimbursed by the Parent Company.

Other loans

The principal changes in Other loans relate to the Parent Company and comprise repayments of 12.9 million euros.

Advances on export transactions

The increase in export advances is linked to the increase in cash and cash equivalents (Note 10), as a further prudential measure of "liquidity risk management".

Payables to banks break down by maturity as follows:

in millions of euros	30.09.2020	31.12.2019
Due within 1 year	257.9	114.8
Due from 1 to 5 years	360.0	334.6
Due beyond 5 years	2.5	42.1
Total	**620.4**	**491.5**

Mortgages have been granted on the properties of Castel Guelfo (BO), Barberino Tavarnelle (FI) and Garbagnate Monastero (LC) owned by Tissue Machinery Company S.p.A., ATOP S.p.A. and Record S.p.A. respectively, against loans for 1.4 million euros, 2.6 million euros and 0.2 million euros, respectively. In addition, there is a pledge on the shares of ATOP S.p.A. against a loan of 12.5 million euros.

At 30 September 2020 the Group had around 724 million euros of unutilised borrowing facilities (around 550 million euros at 31 December 2019).

Following the same prudential approach with a view to "liquidity risk management", IMA also decided to increase its overall availability of credit lines through "Revolving Credit Facilities committed", which are being defined with the banking system for a total of around 300 million euros with a duration of between 12 and 18 months. This will make it possible to meet any financial needs should the current emergency situation last for a long time.

PAYABLES TO OTHER LENDERS

The item includes current payables to factoring companies for 0.3 million euros (1.1 million euros at 31 December 2019) and payables to others for 0.2 million euros (0.2 million euros at 31 December 2019).

BONDS

In June 2019, the Parent Company finalised the placement with European institutional investors (through a so-called "Euro private placement") of a senior bond loan, non-guaranteed and non-convertible, for 50 million euros. The bond loan and a medium-long term cash loan of 180.0 million euros granted by leading credit institutions in July 2019 are designed to finance the acquisition of ATOP. The bonds are unrated, with a duration of 7 years and are admitted to trading on the Third Market of the Vienna Stock Exchange. The capital will be repaid at par at the scheduled due date, though early redemption is possible. The bonds bear interest from the issue date at a fixed rate of 1.923% per annum.

In May 2014, the Parent Company completed the placement with European institutional investors of a non-convertible bond amounting to 80 million euros, represented by two separate issues of equal amount with 5 and 7 years to maturity, redeemable in lump sums on the respective maturity dates. These bonds bear interest at a fixed rate of 3.875% and 4.375% respectively. On 19 January 2018 the Bondholders' Meeting resolved on the first issue, postponing the maturity date to 13 May 2024 and reducing the interest due after the original maturity date from 3.875% to 1.637%.

In February 2013 IMA S.p.A. completed the US Private Placement of a non-convertible bond totalling 50 million US dollars with repayment in equal instalments over 10 years, starting from the fourth year. This bond incurs interest at a fixed rate of 6.25%. The fourth tranche was repaid in February 2020 for a total of 7.1 million US dollars.

The bonds are not guaranteed, but certain covenants must be met.

Bonds are analysed as follows:

in millions of euros	30.09.2020	31.12.2019
Non-current portion	100.0	145.0
Current portion	46.2	7.4
Total book value	**146.2**	**152.4**

Lease liabilities

The item breaks down as follows:

in millions of euros	30.09.2020	31.12.2019
Non-current lease liabilities	138.6	142.2
Current lease liabilities	22.8	21.1
Total	**161.4**	**163.3**

Lease liabilities essentially include property leases.

Net debt

The breakdown of net debt, alternative performance indicator, is as follows:

in millions of euros	30.09.2020	31.12.2019
A. Cash and cash equivalents	(164.5)	(110.7)
B. Other cash equivalents	(2.6)	(4.0)
C. Investments in securities	(14.5)	(11.7)
D. Liquidity (A)+(B)+(C)	**(181.6)**	**(126.4)**
E. Current financial receivables	**(3.1)**	**(2.5)**
F. Current payables to banks	227.7	81.8
G. Current portion of non-current payables	99.2	61.5
H. Other current financial payables	0.3	1.1
I. Current financial debt (F) + (G) + (H)	**327.2**	**144.4**
J. Net current financial debt (D)+(E)+(I)	**142.5**	**15.5**
K. Non-current portion of non-current bank payables	362.5	376.7
L. Bonds issued	100.0	145.0
M. Other non-current financial payables	138.8	142.4
N. Non-current financial assets	(42.9)	(42.5)
O. Net non-current financial debt (K)+(L)+(M)+(N)	**558.4**	**621.6**
P. Net financial debt (J)+(O)	**700.9**	**637.1**

When preparing the table of net financial indebtedness, which is not identified as an accounting measurement by international accounting standards, we took into account the requirements of Consob Communication DEM/6064293 of 28 July 2006, even though we included financial receivables classified as non-current financial assets.

Total non-current financial assets differs from that reported in the statement of financial position as it does not include equity interests in other companies. A breakdown of the items comprising net debt is given in Notes 5 and 10.

The Group also has payables for acquisitions totalling 103.0 million euros (113.9 million euros at 31 December 2019), predominantly relating to the options agreed for the purchase of the minority interests in subsidiaries.

Net financial indebtedness at the end of the period amounts to 700.9 million euros compared with 637.1 million euros at 31 December 2019. The increase is mainly due to the physiological growth in net working capital.

Net debt is expected to decline significantly towards the end of the year. This is a normal process due to the seasonal nature of the business, with 30 September falling into a period of the year when working capital always rises because of work on contracts that will be delivered later in the year.

14. Employee defined benefit liabilities

This item includes post-employment benefits valued actuarially by independent actuaries using the project unit credit method under IAS 19. It mainly comprises the severance indemnity provisions made by the Group's Italian companies.

The movements in these provisions in the period were as follows:

in millions of euros	
Balance at 01.01.2020	**40.6**
Current service cost	1.1
Net actuarial losses (gains) recognized during the period	3.4
Change in scope of consolidation	0.6
Benefit paid out during the period	(1.6)
Other changes	(0.2)
Balance at 30.09.2020	**43.9**

The employee defined benefit liabilities are analyzed below by geographical area:

in millions of euros	30.09.2020	31.12.2019
Italy	25.4	25.1
Germany	6.3	6.5
Switzerland	10.3	6.9
France	0.3	0.3
North America	0.8	0.9
Other countries	0.8	0.9
Total	**43.9**	**40.6**

The following economic-financial assumptions were adopted in relation to the Italian companies:

	30.09.2020	31.12.2019
Annual discount rate	0.59%	0.68%
Annual inflation rate	1.00%	1.00%
Annual rate of increase of total compensation	2.50%	2.50%
Annual rate of increase of severance indemnity	2.25%	2.25%

The discounting rate applicable to Italian companies was determined with reference to the iBoxx Eurozone Corporates AA 10+ index.

Compared with 31 December 2019, there have not been any changes in the main demographic assumptions used by the actuary for Italian companies.

15. Provisions for risks and charges

These provisions are analysed as follows:

in millions of euros	Balance at 31.12.2019	Net increases	Net decreases	Change in scope of consolidation	Balance at 30.09.2020
Non-current:					
Agency termination indemnities	3.2	—	(0.1)	0.2	3.3
Other provisions	3.1	—	—	0.1	3.2
	6.3	**—**	**(0.1)**	**0.3**	**6.5**
Current:					
Product guarantee provision	27.8	2.8	(1.5)	—	29.1
Other provisions	2.0	1.7	(0.4)	—	3.3
	29.8	**4.5**	**(1.9)**	**—**	**32.4**
Total	**36.1**	**4.5**	**(2.0)**	**0.3**	**38.9**

The product guarantee provision was established on the basis of estimated expenses for work to be performed under guarantee after 30 September 2020 (as provided for by current laws – so-called "assurance-type warranties").

Other provisions are made up of provisions for risks and charges made to cover charges that might arise from contractual obligations.

16. Trade and other payables and contract liabilities

Trade and other payables

This item comprises:

in millions of euros	30.09.2020	31.12.2019
Trade payables	359.6	413.8
Social security and defined-contribution plans payables	10.8	15.1
Tax payables	8.3	12.9
Due to employees	89.1	79.0
Payables in respect of acquisitions	103.0	113.9
Deposits	2.6	1.3
Other payables	12.5	12.0
Total	**585.9**	**648.0**

Trade payables

This item includes trade payables of 256.7 million euros (297.8 million euros at 31 December 2019), payables to agents of 15.0 million euros (16.8 million euros at 31 December 2019) and trade payables to associates of 87.9 million euros (99.2 million euros at 31 December 2019).

Tax payables

Tax payables mainly consist of income tax withheld from employees' wages and salaries.

Due to employees

The item mainly reflects the payable relating to deferred monthly payments, bonuses and accrued holidays. It includes 1.0 million euros classified among the non-current liabilities (14.2 million euros at 31 December 2019).

PAYABLES IN RESPECT OF ACQUISITIONS

At 30 September 2020 these include payables for the purchase of investments relating to the acquisitions that took place in 2019 for 52.9 million euros, mainly relating to ATOP S.p.A., Perfect Pack S.r.l., Spreafico Automation S.r.l. and Tecmar S.A., the acquisitions that took place in 2018 for 26.0 million euros, which mainly relate to Ciemme S.r.l. and TMC Group, and the acquisitions that took place in previous years for 19.3 million euros, which mainly relate to Eurosicma S.p.A. and Teknoweb Converting S.r.l.

The total amount of payables for acquisitions classified under non-current liabilities comes to 95.6 million euros (102.4 million euros at 31 December 2019).

As regards the fair value hierarchy of payables represented by potential payments connected with the purchase of minority interests in subsidiaries, please refer to the section on Financial risk management.

OTHER PAYABLES

Other payables include 0.3 million euros classified under non-current liabilities (4.0 million euros at 31 December 2019).

CONTRACT LIABILITIES

This caption is analysed as follows:

in millions of euros	30.09.2020	31.12.2019
Advances received from customers	115.8	105.1
Contract liabilities related to contract works	31.9	30.7
Total	**147.7**	**135.8**

Contract liabilities relating to existing contracts are shown net of the related assets, as illustrated below:

in millions of euros	30.09.2020	31.12.2019
Advances received	146.6	113.6
Contract assets related to contract works	(114.7)	(82.9)
Total	**31.9**	**30.7**

Contract liabilities consist of advances received for contract work in progress at the end of the period, net of the assets relating to existing contracts.

Note that the net decrease in trade payables and other contractual payables and liabilities reported in the consolidated cash flow statement differs from the change in the corresponding statement of financial position item mainly because of the options exercised during the period and the business combination, as commented on in Note 23.

17. PERSONNEL COSTS

This item comprises:

in millions of euros	from 01.01.2020 to 30.09.2020	from 01.01.2019 to 30.09.2019	Change
Wages and salaries	232.0	226.4	5.6
Social security contributions	55.1	53.0	2.1
Board of Directors' emoluments	4.1	7.1	(3.0)
Pensions- defined-benefit plans	1.1	1.2	(0.1)
Pensions- defined-contribution plans	11.1	11.3	(0.2)
Other personnel costs	14.7	15.7	(1.0)
Total	**318.1**	**314.7**	**3.4**

Personnel costs related to ATOP S.p.A. and Perfect Pack S.r.l., partially included in the scope of consolidation in the first nine months of 2019 for 3.5 million euros, amounted to 11.8 million euros.

In addition, the item includes 0.7 million euros attributable to the newly acquired Record S.p.A.

The IMA Group employed 6,206 people on average during the first nine months of 2020, as analysed below:

	from 01.01.2020 to 30.09.2020	from 01.01.2019 to 30.09.2019	Change
Management	300	303	(3)
Office workers	3,941	3,773	168
Production workers	1,965	1,804	161
Total	**6,206**	**5,880**	**326**

At the end of period, the Group had 6,121 employees (6,159 at 31 December 2019), of whom 50 were attributable to Record S.p.A.

18. Depreciation, amortization and write-downs

This item breaks down as follows:

in millions of euros	from 01.01.2020 to 30.09.2020	from 01.01.2019 to 30.09.2019	Change
Depreciation of property, plant and equipment	10.5	12.5	(2.0)
Depreciation of right of use assets	21.2	15.8	5.4
Amortization of intangible assets	36.2	26.0	10.2
Write-downs/impairment	1.5	—	1.5
Bad debt provision	0.6	0.6	—
Total	**70.0**	**54.9**	**15.1**

The increase in amortisation mainly refers to development costs and intangible assets recognized as part of acquisitions made during the second half of 2019.

The item write-downs/impairment is attributable to the sale to third parties of the entire equity investment in Hassia India Pvt. Ltd.

19. Financial income

This item comprises:

in millions of euros	from 01.01.2020 to 30.09.2020	from 01.01.2019 to 30.09.2019	Change
Fair value remeasurement of the interest held in ATOPbi S.p.A.	—	56.3	(56.3)
Interest income from banks	0.3	0.3	—
Income from derivative financial instruments	0.1	0.3	(0.2)
Income from financial assets at FVOCI	—	2.7	(2.7)
Change in fair value for contingent consideration	0.5	1.9	(1.4)
Other interest income and financial income	1.3	1.4	(0.1)
Exchange rate gains	15.1	17.0	(1.9)
Total	**17.3**	**79.9**	**(62.6)**

With regard to the proceeds of the remeasurement at fair value of the interest in ATOPbi S.p.A., please refer to the comments in the Periodic Financial Information at 30 September 2019.

20. Financial expense

This item comprises:

in millions of euros	from 01.01.2020 to 30.09.2020	from 01.01.2019 to 30.09.2019	Change
Fair value remeasurement of the interest held in CMRE S.r.l.	—	1.0	(1.0)
Interest expense on bank payables	5.2	4.3	0.9
Interest expense on bonds	3.6	3.6	—
Interest expense on leases liabilities	3.6	3.0	0.6
Net financial expense on defined-benefit plans	—	0.5	(0.5)
Bank guarantee expenses	0.5	0.5	—
Expense from derivative financial instruments	0.6	1.0	(0.4)
Change in fair value for contingent consideration	0.6	3.0	(2.4)
Other interest and financial expense	3.9	2.2	1.7
Net expense from hyperinflaction	0.2	0.4	(0.2)
Exchange rate losses	18.3	16.8	1.5
Total	**36.5**	**36.3**	**0.2**

Exchange gains and losses in the period to 30 September 2020 included, respectively, an unrealized gain of 7.0 million euros and an unrealized loss of 7.6 million euros (9.7 million euros and 9.0 million euros respectively in the same prior year period).

21. Taxes

Taxation includes taxes for the period, calculated using the best estimate of the weighted average tax rate for the full year.

The following companies form part of the domestic tax group: IMA S.p.A., CO.MA.DI.S. S.p.A., Corazza S.p.A., Packaging Manufacturing Industry S.r.l. as consolidated companies and SOFIMA as the consolidating company.

In addition, the companies Tissue Machinery Company S.p.A. as consolidating company and Asset Management Service S.r.l. as consolidated company form part of the domestic tax group.

22. Earnings per share

Basic earnings per share are calculated as the ratio of Group net profit to the weighted average number of ordinary shares outstanding during the year, as follows:

	from 01.01.2020 to 30.09.2020	from 01.01.2019 to 30.09.2019
Profit for the period (millions of euros)	42.0	88.0
Average number of outstanding ordinary shares (millions of shares)	43.1	39.2
Earning per share (in euros)	**0.97**	**2.24**

For the IMA Group, basic earnings per share and diluted earnings per share are the same, given the absence of instruments that might result in dilution.

23. Business combinations

On 15 June 2020 the Group completed the purchase of 71.4% of Record S.p.A., a company based in Garbagnate Monastero (LC), leader in the design and production of low-medium speed machinery and plants in the flexible packaging sector, known as “flow pack”, for the packaging of food and non-food products. In addition, option contracts were signed for the residual shares held by the minority shareholders.

The main provisional values for assets and liabilities at the acquisition date were as follows:

in millions of euros	Amounts acquired	Fair value
Property, plant and equipment and intangible assets	3.7	3.7
Inventories	1.4	1.4
Trade receivables and other assets	0.7	0.7
Cash and cash equivalents	2.8	2.8
Borrowings	(0.3)	(0.3)
Employee defined benefit liabilities	(0.6)	(0.6)
Provisions for risks and charges	(0.3)	(0.3)
Trade payables and other liabilities	(2.7)	(2.7)
Total	**4.7**	**4.7**
Cost of acquisition		11.9
Goodwill		**7.2**

The cost of the acquisition includes the potential consideration of 4.0 million euros as the fair value of the options for the purchase of the residual quotas held by minority shareholders, discounted using the return on government securities with the same maturity.

At 30 September 2020, the newly acquired company, consolidated for 3 months, generated revenue of 1.9 million euros and an operating result of 0.1 million euros, including personnel costs of 0.7 million euros.

The amounts recognized at the acquisition date were determined provisionally as required by IFRS 3; any adjustments will be recorded within 12 months from the date of the acquisition.

0.3 million euros of ancillary charges related to the acquisition were booked to the income statement under services, rentals and leases.

The effect of the acquisition in the period, cash acquired net of the consideration paid, came to 1.9 million euros.

24. Guarantees granted

At 30 September 2020, the Group provided sureties and other bank guarantees to customers for 36.7 million euros for the proper functioning of the machines, bid bonds and advances not yet received, sureties guaranteeing lease contracts for 7.7 million euros and guarantees in favour of others for 2.9 million euros.

The Parent Company has also given sureties and other guarantees (binding letters of patronage) to third parties on behalf of subsidiaries and associates, with respect to lines or credit or financing extended by banks and the payment of rental fees for 303.2 million euros.

Ilapak International SA provided guarantees to third parties in the interest of Ilapak Verpackungsmaschinen GmbH of 2.1 million euros.

Lastly, note that sureties were issued against advances received from customers for a total of 86.3 million euros (107.3 million euros at 31 December 2019), of which 31.0 million euros reflect the use of credit lines guaranteed by commitments on the part of the Parent Company.

25. Commitments

At 30 September 2020 there are commitments for the purchase of property, plant and equipment and intangible assets of 16.0 million euros relating principally to the property complex being built by CMRE S.r.l.

Commitments for rents and lease payments excluded from the application of IFRS 16 amount to 12.1 million euros. This amount includes 8.4 million euros relating to the signing, during 2019, of a preliminary lease contract for a building under construction linked to the property located in Castel San Pietro Terme (BO).

Other commitments in favour of third parties, 17.1 million euros, mainly consist of the Parent Company's agreement to buy further units of the mutual funds.

26. Related-party transactions

In compliance with current Consob regulations on Related-Party Transactions, from 2010 IMA S.p.A. adopted the procedure to be followed by IMA and its subsidiaries when carrying out transactions with parties related to IMA; this procedure was updated on 15 February 2019.

The Parent Company of the IMA Group is I.M.A. Industria Macchine Automatiche S.p.A., which at 30 September 2020 is owned 51.594% by SOFIMA.

Intercompany transactions are carried out in the ordinary course of business on arm's-length terms. Relations with other related parties are mainly attributable to the persons who control the Parent Company, to persons who administer and direct the activities of IMA S.p.A. and to entities that are controlled by them.

It is up to a plenary meeting of the Board of Directors to give advance approval for all transactions with related parties, including inter-company transactions, except for transactions carried out in the ordinary course of business on arm's-length terms.

Related party transactions mainly refer to commercial and property operations (leased premises used by the Parent Company or Group companies), as well as to membership of the tax group.

Note that during the first nine months there were no "more significant transactions", as defined in the Consob regulation, no individual Related Party transactions that could have had a significant influence over the companies' statement of financial position or results and no changes or developments in Related Party transactions explained in the last annual report that could have had a significant influence over the companies' statement of financial position or results.

The following table details the main transactions carried out with related parties:

in millions of euros	Receivables at 30.09.2020	Receivables at 31.12.2019	Payables at 30.09.2020	Payables at 31.12.2019
Associates and joint venture:				
Alfa S.r.l.	4.0	—	—	—
Amherst Stainless Llc	0.9	1.5	0.1	0.2
A.P.M. Assembly Pack. Mach. S.r.l.	0.9	0.8	1.5	1.7
B.C. S.r.l.	3.6	3.3	0.8	0.9
Bacciottini F.lli S.r.l.	1.6	0.9	7.0	9.3
Bolognesi S.r.l.	1.4	1.3	4.3	4.7
Doo Officina-Game East Vrsac	1.5	1.3	0.1	0.1
I.E.M.A. S.r.l.	6.8	3.4	19.0	18.1
IMA Dairy & Food Holding GmbH	44.8	44.8	—	—
Inkbit Llc	—	1.8	—	—
LA.CO S.r.l.	0.8	0.8	3.0	2.8
Logimatic S.r.l.	14.2	10.0	26.4	28.6
Meccanica Sarti S.r.l.	1.3	1.3	0.4	0.7
Me.Mo. S.r.l.	1.5	1.5	0.1	0.1
MORC 2 S.r.l.	2.1	2.3	2.2	4.3
O.M.S. Officina Meccanica di Sonico S.r.l.	1.2	1.1	0.9	1.2
RO.SI S.r.l.	0.3	0.3	1.8	1.8
SIL.MAC S.r.l.	3.1	2.6	9.5	10.9

in millions of euros	Receivables at 30.09.2020	Receivables at 31.12.2019	Payables at 30.09.2020	Payables at 31.12.2019
STA.MA. S.r.l.	0.3	0.1	1.7	2.2
Talea S.r.l.	10.3	11.8	6.9	8.8
Other associates	1.5	1.4	2.2	2.8
	102.1	**92.3**	**87.9**	**99.2**
Other related parties:				
3-T S.r.l.	—	—	1.1	1.2
Costal S.r.l.	—	—	0.8	1.2
EPSOL S.r.l.	1.5	1.8	4.9	5.5
Erca S.A.S.	0.4	1.0	—	—
GASTI Verpackungsmaschinen GmbH	0.2	0.5	—	—
Hassia Verpackungsmaschinen GmbH	0.8	1.0	—	—
Hot minds S.r.l.	0.2	0.1	1.1	1.2
LPM.GROUP S.r.l.	0.2	0.1	5.3	5.8
Timage S.r.l.	—	—	1.0	1.0
Other related parties	1.2	1.1	2.1	1.9
	4.5	**5.6**	**16.3**	**17.8**
Total	**106.6**	**97.9**	**104.2**	**117.0**

The following table details the main transactions carried out with related parties:

in millions of euros	Revenues from 01.01.2020 to 30.09.2020	Revenues from 01.01.2019 to 30.09.2019	Costs from 01.01.2020 to 30.09.2020	Costs from 01.01.2019 to 30.09.2019
Associates and joint venture:				
Amherst Stainless Llc	—	0.1	3.6	2.9
A.P.M. Assembly Pack. Machinery S.r.l	0.2	—	1.4	—
B.C. S.r.l.	0.3	0.4	4.5	4.4
Bacciottini F.lli S.r.l.	0.7	0.3	7.7	9.6
Bolognesi S.r.l.	0.3	0.3	3.9	4.6
Doo Officina-Game East Vrsac	0.1	0.1	0.5	0.8
I.E.M.A. S.r.l.	4.1	1.8	15.6	13.6
IMA Dairy & Food Holding GmbH	0.8	0.8	—	0.6
LA.CO S.r.l.	0.1	0.2	2.8	2.7
Logimatic S.r.l.	5.7	6.0	18.9	18.5
Masterpiece S.r.l.	—	—	0.7	0.7
Meccanica Sarti S.r.l.	—	—	0.4	0.7
MORC 2 S.r.l.	0.7	0.2	4.3	2.6
O.M.S. Officina Meccanica Sonico S.r.l	0.1	0.1	2.2	1.8
Powertransmission.it S.r.l.	—	—	0.7	0.8
RO.SI S.r.l.	0.1	0.1	1.8	1.7
SILMAC. S.r.l.	1.7	1.5	7.1	6.3
S.I.Me. S.r.l.	—	—	1.1	0.9
STA.MA. S.r.l.	0.2	0.1	1.4	1.9
Talea S.r.l.	—	0.1	3.8	4.1
Other associates	1.1	0.1	1.6	0.9
	16.2	**12.2**	**84.0**	**80.1**
Other related parties:				
3-T S.r.l.	—	—	1.0	1.1
ATOP S.p.A.	—	2.0	—	—
Costal S.r.l.	—	—	1.5	1.9
Deltos S.r.l.	—	—	0.5	0.8
Erca S.A.S.	0.6	0.6	0.1	0.1

in millions of euros	Revenues from 01.01.2020 to 30.09.2020	Revenues from 01.01.2019 to 30.09.2019	Costs from 01.01.2020 to 30.09.2020	Costs from 01.01.2019 to 30.09.2019
EPSOL S.r.l.	0.7	1.1	4.2	4.5
Hassia Verpackungsmaschinen GmbH	1.1	1.2	—	0.2
LPM. GROUP S.r.l.	0.1	0.1	5.2	5.3
Timage S.r.l.	—	—	2.1	1.9
Other related parties	0.9	0.6	5.8	7.1
	3.4	**5.6**	**20.4**	**22.9**
Total	**19.6**	**17.8**	**104.4**	**103.0**

It should also be noted that Other related parties include fees of 1.4 million euros for professional services provided by a related party, namely a Director of the Parent Company.

These balances and transactions relate primarily to the Group's Italian companies. There are also dealings with SOFIMA, the Parent Company, as a result of setting up the domestic tax group, as mentioned in Note 21.

The increase in trade payables to associates reflects the Group's constant commitment in pursuing close collaboration with those suppliers that play a key role in production, also by considering the possibility of becoming shareholders in their companies. Transactions with associates are largely of a commercial nature. See Note 4 for further information.

The total cost incurred in the first nine months of 2020 for the remuneration due to executives with strategic responsibilities is approximately 3.0 million euros (5.9 million euros in the same period of 2019). This amount includes the remuneration of two members of the Board of Directors of the Parent Company.

The table below provides a summary of the statement of financial position including transactions with related parties and their percentage impact:

in millions of euros	Total at 30.09.2020	Of which related parties	% impact	Total at 31.12.2019	Of which related parties	% impact
Statement of financial position:						
Non-current assets	*1,320.4*	*79.2*	*6.0%*	*1,325.0*	*76.1*	*5.7%*
Trade and other receivables	477.9	24.3	5.1%	480.6	19.2	4.0%
Other current assets	603.3	3.1	0.5%	495.4	2.6	0.5%
Current assets	*1,081.2*	*27.4*	*2.5%*	*976.0*	*21.8*	*2.2%*
Total assets	**2,401.6**	**106.6**	**4.4%**	**2,301.0**	**97.9**	**4.3%**
Equity	*536.6*			*504.9*		
Non-current liabilities	*856.1*	—	—	*945.7*	—	—
Trade and other payables	636.7	104.2	16.4%	663.3	117.0	17.6%
Other current liabilities	372.2	—	—	187.1	—	—
Current liabilities	*1,008.9*	*104.2*	*10.3%*	*850.4*	*117.0*	*13.8%*
Total liabilities and equity	**2,401.6**	**104.2**	**4.3%**	**2,301.0**	**117.0**	**5.1%**

in millions of euros	from 01.01.2020 to 30.09.202020	Of which related parties	% impact	from 01.01.2019 to 30.09.202019	Of which related parties	% impact
Income statement:						
Revenues and other income	1,020.2	14.8	1.5%	1,016.3	13.6	1.3%
Cost of raw materials and goods	(428.4)	(68.4)	16.0%	(412.6)	(65.3)	15.8%
Cost of services and leases	(202.5)	(34.6)	17.1%	(229.6)	(36.2)	15.8%
Other operating costs	(314.1)	(1.2)	0.4%	(302.2)	(1.2)	0.4%
Operating profit	**75.2**			**71.9**		
Net financial income (expense)	(19.2)	0.8	—	43.6	0.8	1.8%
Profit (loss) from investment accounted for using equity method	3.8	3.8	100.0%	3.1	3.1	100.0%
Taxes	(19.4)	—	—	(27.9)	—	—
Profit for the period	**40.4**			**90.7**		

27. Significant non-recurring transactions and events

During the first nine months of 2020, the amount of 2.0 million euros refers for 1.5 million euros to charges resulting from the Covid-19 emergency and, in particular, to the application of social distancing measures and hygiene procedures, equipment for remote work and other security measures, as well as ancillary charges for acquisitions. Non-recurring charges have been classified under Costs for raw materials, ancillary materials, consumables and goods for 0.6 million euros, Costs for services, rentals and leases for 1.3 million euros and Personnel costs for 0.1 million euros.

During the first nine months of 2019, non-recurring charges classified as Services, rentals and leases amounted to 7.0 million euros and related principally to costs involved in the plan to merge GIMA TT S.p.A. and IMA S.p.A. for 4.8 million euros and ancillary charges on acquisitions of 2.0 million euros.

28. Atypical and/or unusual transactions

No positions or operations deriving from atypical and/or unusual transactions arose during the first nine months of 2020.

29. Significant events after the end of the third quarter

On 27 October 2020, the Shareholders’ Meeting of IMA S.p.A. appointed the new Board of Directors, subject to the closing of the purchase and sale of SOFIMA shares announced to the market on 28 July 2020, setting the number of board members at eleven, with a three-year term of office.

Ten directors were taken from the list presented by the majority shareholder SOFIMA: Alberto Vacchi, Maria Carla Schiavina, Paola Alessandra Paris (Independent Director), Sonia Bonfiglioli (Independent Director), Luca Poggi, Stefano Ferraresi, Marco Castelli, Christelle Rétif, Luca Maurizio Duranti (Independent Director) and Alessandra Schiavina; the last director was taken from the list presented by the Law Firm Trevisan & Associati, collectively, on behalf of a group of asset management companies, in the person of Cesare Conti (independent director). The members appointed to the new Board of Directors also comply with the provisions on gender quotas.

G) EQUITY INVESTMENTS INCLUDED IN THE SCOPE OF CONSOLIDATION AND METHOD USED

Companies consolidated line-by-line	Registered office		Share capital	Currency	Direct investment	Indirect investment
Industrial and service companies:						
- I.M.A. Industria Macchine Automatiche S.p.A.	Ozzano dell'Emilia	Bologna - Italy	22,470,504.68	EUR	Parent company	
- ATOP S.p.A.	Barberino Tavarnelle	Florence - Italy	208,000	EUR	90.984%(1)	—
- Ciemme S.r.l.	Albavilla	Como - Italy	100,000	EUR	100%(2)	—
- Claren Cutting Service S.r.l.	Calderara di Reno	Bologna - Italy	100,000	EUR	—	100%
- CO.MA.DI.S. S.p.A.	Senago	Milan - Italy	1,540,000	EUR	100%	—
- Corazza S.p.A.	Bologna	Bologna - Italy	5,675,000	EUR	100%	—
- Eurosicma – Costruzioni Macchine Automatiche S.p.A.	Milan	Milan - Italy	700,000	EUR	100%(3)	—
- Eurotekna S.r.l.	Milan	Milan - Italy	32,243	EUR	—	85.71%
- Ilapak Italia S.p.A.	Foiano della Chiana	Arezzo - Italy	4,074,000	EUR	—	81%
- Perfect Pack S.r.l.	Rimini	Rimini - Italy	20,800	EUR	100%(4)	—
- Petroncini Impianti S.p.A.	Modena	Modena - Italy	120,000	EUR	80%	—
- Pharmasiena Service S.r.l.	Siena	Siena - Italy	100,000	EUR	70%	—
- Record S.p.A.	Garbagnate Monastero	Lecco - Italy	335,400	EUR	—	90.88%(5)
- Spares & More S.r.l.	Gallicano	Lucca - Italy	10,848	EUR	—	100.0%
- Spreafico Automation S.r.l.	Calolziocorte	Lecco - Italy	200,000	EUR	100%(6)	—
- Teknoweb Converting S.r.l.	Palazzo Pignano	Cremona - Italy	1,000,000	EUR	100%(7)	—
- Telerobot S.p.A.	AlessAndria	Alessandria - Italy	50,000	EUR	100%	—
- Tissue Machinery Company S.p.A.	Castel Guelfo	Bologna - Italy	8,000,000	EUR	100%(8)	—
- ATOP (Shanghai) Electrical Equipment Co. Ltd.	Shanghai	PRC	200,000	EUR	—	90.984%
- Benhil GmbH	Neuss	Germany	5,500,000	EUR	100%	—
- Delta Systems & Automation Llc	Lowell	USA	1,000	USD	—	100%
- Ilapak International SA	Collina d'Oro Lugano	Switzerland	4,000,000	CHF	—	81%
- Ilapak (Beijing) Packaging Machinery Co. Ltd.	Beijing	PRC	3,000,000	USD	—	81%
- IMA Automation Malaysia Sdn. Bhd.	Penang	Malaysia	3,000,000	MYR	100%	—
- IMA Automation Switzerland SA	La Chaux de Fonds	Switzerland	13,250,000	CHF	100%	—
- IMA Automation USA Inc.	Loves Park	USA	10,610,000	USD	—	100%
- IMA Life (Beijing) Pharmaceutical Systems Co. Ltd.	Beijing	PRC	400,000	USD	100%	—
- IMA Life (Shanghai) Pharmaceutical Mach. Co. Ltd.	Shanghai	PRC	5,250,000	RMB	—	86.29%
- IMA Life North America Inc.	Tonawanda	USA	100	USD	—	100%
- IMA Life The Netherlands B.V.	Dongen	The Netherlands	22,382,654(*)	EUR	100%	—
- IMA MAI S.A.	Mar del Plata	Argentina	2,052,202	ARS	100%(9)	—
- IMA North America Inc.	Leominster	USA	8,052,500	USD	—	100%
- IMA-PG India Pvt. Ltd.	Mumbai	India	17,852,100	INR	100%	—
- IMA Swiftpack Ltd.	Alcester	UK	1,403,895	GBP	100%	—
- Tianjin IMA Machinery Co. Ltd.	Tianjin	PRC	200,000	USD	100%	—
- Tecmar S.A.	Mar del Plata	Argentina	692,500	ARS	100%(10)	—
- Valley Tissue Packaging Inc.	Kaukauna	USA	3,645	USD	—	100.0%

(*) The nominal share capital of IMA Life The Netherlands B.V. amounts to Eur 45,400,000

Companies consolidated line-by-line (continued)	Registered office		Share capital	Currency	Direct investment	Indirect investment
Commercial companies:						
- Asset Management Service S.r.l.	Castel Guelfo	Bologna - Italy	500,000	EUR	—	100%
- Ilapak do Brasil Ltda.(in liquidation)	SaoPaulo	Brazil	8,219,229	BRL	—	81%
- Ilapak France SA	Lognes Paris	France	105,130	EUR	—	81%
- Ilapak Inc.	Newtown	USA	12,500	USD	—	81%
- Ilapak Israel Ltd.	Caesarea	Israel	5,310,505	ILS	—	81%
- Ilapak Ltd.	Uxbridge London	UK	795,536	GBP	—	81%
- Ilapak SNG OOO	Moscow	Russia	1,785,700	RUB	—	81%
- Ilapak Sp. Z o.o.	Krakow	Poland	3,740,400	PLN	—	81%
- Ilapak Verpackungsmaschinen GmbH	Haan Duesseldorf	Germany	102,500	EUR	—	81%
- IMA Est GmbH	Vienna	Austria	280,000	EUR	100%	—
- IMA France E.u.r.l.	Rueil Malmaison	France	45,735	EUR	100%	—
- IMA Fuda (Shanghai) Packaging Machinery Co. Ltd.	Shanghai	PRC	6,000,000	RMB	80%	—
- IMA Germany GmbH	Cologne	Germany	90,000	EUR	100%	—
- IMA Iberica Processing and Packaging S.L.	Barcelona	Spain	590,000	EUR	100%	—
- IMA Life Japan KK	Tokyo	Japan	40,000,000	YEN	—	100%
- IMA Pacific Co. Ltd.	Bangkok	Thailand	132,720,000	THB	99.99%	—
- IMA Packaging & Processing Equipment (Beijing) Co. Ltd.	Beijing	PRC	2,350,000	USD	100%	—
- IMA Packaging Technology India Pvt. Ltd.	Thane	India	10,000,000	INR	100%	—
- IMA UK Ltd.	Alcester	UK	1	GBP	—	100%
- Imautomatiche Do Brasil Ltda.	Sao Paulo	Brazil	6,651,600	BRL	99.98%	—
- OOO IMA Industries	Moscow	Russia	12,000,000	RUB	—	100%
- Petroncini International Trading (Shanghai) Co. Ltd.	Shanghai	PRC	300,000	RMB	—	80%
- Teknoweb N.A. Llc	Loganville Atlanta	USA	56,000	USD	—	75%
- TMC Do Brasil Industriade Maquinariose Servicos Ltda.	Valinhos	Brazil	678,405	BRL	—	100%
- TMC North America Inc.	Appleton	USA	100,000	USD	—	100%
Financial companies:						
- Luna Investment SA	Lugano	Switzerland	100,000	CHF	—	81%
- Packaging Systems Holdings Inc.	Wilmington	USA	1,000	USD	100%	—
- Tekno NA Inc.	Atlanta	USA	50,000	USD	—	100%
- Transworld Packaging Holding S.p.A.	Ozzano dell'Emilia	Bologna - Italy	64,833	EUR	81%	—
Other companies:						
- CMRE S.r.l.	Bologna	Bologna - Italy	50,000	EUR	100%	—
- Digidoc S.r.l.	Ozzano dell'Emilia	Bologna - Italy	10,000	EUR	—	80%
- Packaging Manufacturing Industry S.r.l.	Castenaso	Bologna - Italy	110,000	EUR	100%	—
- Società del Sole S.r.l.	Ozzano dell'Emilia	Bologna - Italy	10,000	EUR	100%	—

Note:

(1) The percentage interest held in ATOP S.p.A. includes an option to purchase 6.819% of the quota capital

(2) The percentage interest held in Ciemme S.r.l. includes an option to purchase 30% of the quota capital

(3) The percentage interest held in Eurosicma S.p.A. includes an option to purchase 10% of the quota capital
(4) The percentage interest held in Perfect Pack S.r.l. includes an option to purchase 40% of the quota capital
(5) The percentage interest held in Record S.p.A. includes an option to purchase 28.6% of the quota capital
(6) The percentage interest held in Spreafico Automation S.r.l. includes an option to purchase 30% of the quota capital
(7) The percentage interest held in Teknoweb Converting S.r.l. includes an option to purchase 40% of the quota capital
(8) The percentage interest held in Tissue Machinery Company S.p.A. includes an option to purchase 17.5% of the quota capital
(9) The percentage interest held in IMA MAI S.A. includes an option to purchase 30% of the quota capital
(10) The percentage interest held in Tecmar S.A. includes an option to purchase 38.55% of the quota capital

FOR FURTHER INFORMATION, PLEASE REFER TO THE GROUP STRUCTURE AT 30 SEPTEMBER 2020 SECTION

Investment accounted for using the equity method	Registered office		Share capital	Currency	Direct investment
- Alfa S.r.l.	Bologna	Bologna - Italy	1,000,000	EUR	40%(1)
- Amherst Stainless Fabrication LLC	Amherst NY	USA	1,100,000	USD	20%(2)
- A.P.M. Assembly Pack. Mach. S.r.l.	Castel Bolognese	Ravenna - Italy	100,000	EUR	32%(1)
- B.C. S.r.l.	Imola	Bologna - Italy	36,400	EUR	30%
- Bacciottini F.lli S.r.l.	Montemurlo	Prato - Italy	60,000	EUR	30%(1)
- BLQ S.r.l.	Ozzano dell'Emilia	Bologna - Italy	30,000	EUR	30%(1)
- Bolognesi S.r.l.	Dozza	Bologna - Italy	10,920	EUR	30%(1)
- CAIMA S.r.l.	Monghidoro	Bologna - Italy	10,000	EUR	20%(1)
- Ciemme Engineering S.r.l.	Albavilla	Como - Italy	100,000	EUR	40%(3)
- Doo Officina-Game East Vrsac	Vrsac	Serbia	130,474,863	RSD	49%(1)
- FID S.r.l. Impresa Sociale	Bologna	Bologna - Italy	20,000	EUR	30%
- I.E.M.A. S.r.l.	S.Giorgio di Piano	Bologna - Italy	100,000	EUR	30%(1)
- IMA Dairy & Food Holding GmbH	Ranstadt	Germany	25,000	EUR	40%
- LA.CO S.r.l.	Ozzano dell'Emilia	Bologna - Italy	30,000	EUR	30%(1)
- Logimatic S.r.l.	Ozzano dell'Emilia	Bologna - Italy	120,000	EUR	29.17%(1)
- Masterpiece S.r.l.	Ozzano dell'Emilia	Bologna - Italy	10,000	EUR	30%(1)
- Meccanica Sarti S.r.l.	Bologna	Bologna - Italy	102,000	EUR	30%(1)
- Me.Mo. S.r.l.	Gaggio Montano	Bologna - Italy	10,000	EUR	20%(1)
- MORC 2 S.r.l.	Faenza	Ravenna - Italy	20,800	EUR	20%(1)
- OLTRE S.r.l.	Ozzano dell'Emilia	Bologna - Italy	50,000	EUR	30%(1)
- OMEGA S.r.l.	Castel Guelfo	Bologna - Italy	10,000	EUR	20%(1)
- O.M.S. Officina Meccanica Sonico S.r.l.	Sonico	Brescia - Italy	31,200	EUR	40%(1)
- Powertransmission.it S.r.l.	Castenaso	Bologna - Italy	50,000	EUR	20%(1)
- RO.SI S.r.l.	Bentivoglio	Bologna - Italy	10,000	EUR	20.8%(1)
- Scriba Nanotecnologie S.r.l.	Bologna	Bologna - Italy	25,556	EUR	24.9%
- SIL.MAC. S.r.l.	Gaggio Montano	Bologna - Italy	90,000	EUR	30%(1)
- S.I.Me. S.r.l.	Granarolo dell'Emilia	Bologna - Italy	125,000	EUR	39.2%(1)
- STA.MA. S.r.l.	Ozzano dell'Emilia	Bologna - Italy	10,400	EUR	30%(1)
- Talea S.r.l.	Castel Guelfo	Bologna - Italy	25,000	EUR	20%(1)
- Sirio S.p.A. Associazione in partecipazione	Milan	Milan - Italy			

Note:

(1) Held by Packaging Manufacturing Industry S.r.l.
(2) Held by IMA Life North America Inc.
(3) Held by Ciemme S.r.l.

H) DECLARATION OF THE MANAGER RESPONSIBLE FOR PREPARING FINANCIAL REPORTS PURSUANT TO ART. 154 BIS, PARAGRAPH 2, OF LEGISLATIVE DECREE 58/1998.

The Manager responsible for preparing financial reports, Sergio Marzo, declares in accordance with article 154 bis paragraph 2 of the Consolidated Finance Act that the accounting information contained in this Periodic Financial Information at 30 September 2019 agrees with the books of account, the accounting entries and supporting documentation.

I.M.A. Industria Macchine Automatiche S.p.A.

Review report on the interim condensed consolidated financial statements at September 30, 2020 and for the nine-month periods ended September 30, 2020 and 2019

(Translation from the original Italian text)

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Review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Board of Directors of
I.M.A. Industria Macchine Automatiche S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the consolidated statement of financial position at September 30, 2020, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated equity and the consolidated statement of cash flows for the nine-month periods ended September 30, 2020 and 2019 and the related explanatory notes of I.M.A. Industria Macchine Automatiche S.p.A. and its subsidiaries (the "IMA Group"). The Directors of I.M.A. Industria Macchine Automatiche S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by the International Standard on Review Engagements (ISRE) 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of the IMA Group at September 30, 2020 and for the nine-month periods ended September 30, 2020 and 2019 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Bologna, November 10, 2020

EY S.p.A.
Signed by: Marco Mignani, Auditor

This report has been translated into the English language solely for the convenience of international readers

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A member firm of Ernst & Young Global Limited

Consolidated financial statements at 31 December 2019

I.M.A. INDUSTRIA MACCHINE AUTOMATICHE S.P.A. AND SUBSIDIARIES

(The consolidated financial statements have been translated from the original Italian into English solely for the convenience of international readers)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(THOUSANDS OF EUROS)

ASSETS	Note	31 December 2019	31 December 2018
NON-CURRENT ASSETS			
Property, plant and equipment	2	100,192	111,890
Right of use assets	2	212,792	—
Intangible assets	3	874,826	453,980
Investments accounted for using the equity method	4	26,077	52,909
Financial assets	5	49,763	47,505
Receivables from others	6	3,010	4,151
Deferred tax assets	8	58,353	49,226
TOTAL NON-CURRENT ASSETS		1,325,013	719,661
CURRENT ASSETS			
Inventories	9	344,244	319,724
Trade and other receivables	10	243,903	257,712
Contract assets	10	236,653	189,495
Income tax receivables	11	21,296	9,810
Financial assets	5	18,240	22,182
Derivative financial instruments	7	983	382
Cash and cash equivalents	12	110,699	140,867
TOTAL CURRENT ASSETS		976,018	940,172
TOTAL ASSETS		**2,301,031**	**1,659,833**

EQUITY AND LIABILITIES	Note	31 December 2019	31 December 2018
EQUITY			
Share capital		22,471	20,415
Reserves and retained earnings		301,806	272,589
Profit for the year		169,248	104,032
Equity attributable to equity holders of the parent	13	493,525	397,036
Non-controlling interests	14	11,355	23,898
TOTAL EQUITY		504,880	420,934
NON-CURRENT LIABILITIES			
Borrowings	15	521,943	283,281
Lease liabilities	15	142,179	—
Employee defined benefit liabilities	16	40,555	34,664
Provisions for risks and charges	17	6,305	4,654
Other payables	18	120,553	74,753
Derivative financial instruments	7	5,351	3,771
Deferred tax liabilities	8	108,827	58,789
TOTAL NON-CURRENT LIABILITIES		945,713	459,912
CURRENT LIABILITIES			
Borrowings	15	123,303	106,529
Lease liabilities	15	21,067	—
Trade and other payables	18	527,392	462,496
Contract liabilities	18	135,883	173,855
Income tax liabilities	11	12,935	7,368
Provisions for risks and charges	17	29,767	27,394
Derivative financial instruments	7	91	1,345
TOTAL CURRENT LIABILITIES		850,438	778,987
TOTAL LIABILITIES		1,796,151	1,238,899
TOTAL EQUITY AND LIABILITIES		**2,301,031**	**1,659,833**

THE EFFECTS OF TRANSACTIONS WITH RELATED PARTIES ON THE ITEMS IN THE CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION ARE SHOWN IN NOTE 33 – RELATED-PARTY TRANSACTIONS.

CONSOLIDATED INCOME STATEMENT

(THOUSANDS OF EUROS)

	Note	2019	2018
REVENUE FROM CONTRACTS WITH CUSTOMERS	1	1,595,527	1,500,371
OTHER REVENUE	19	13,045	13,060
OPERATING COSTS			
Change in work in progress, semifinished and finished goods		1,553	(6,076)
Change in inventory of raw, ancillary and consumable materials		26	10,628
Cost of raw, ancillary and consumable materials and goods for resale	20	(598,127)	(555,378)
Services, rentals and leases	21	(324,112)	(321,141)
Personnel costs	22	(429,015)	(394,842)
Capitalized costs	19	27,142	20,771
Depreciation, amortization and write-downs	23	(81,631)	(44,078)
Provisions for risks and charges		(1,025)	(92)
Other operating costs	24	(10,908)	(13,166)
TOTAL OPERATING COSTS		(1,416,097)	(1,303,374)
- of which: effect of non-recurring items	34	*(7,607)*	*(6,346)*
OPERATING PROFIT	1	192,475	210,057
- of which: effect of non-recurring items	34	*(7,607)*	*(6,346)*
FINANCIAL INCOME AND EXPENSE			
Financial income	25	79,696	34,104
Financial expense	26	(43,118)	(34,642)
TOTAL FINANCIAL INCOME AND EXPENSE		36,578	(538)
PROFIT (LOSS) FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		(4,682)	2,419
PROFIT BEFORE TAXES		224,371	211,938
TAXES	27	(54,728)	(61,180)
NET PROFIT FROM CONTINUING OPERATIONS		**169,643**	**150,758**
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS/DISPOSAL GROUPS	28	—	(26,165)
PROFIT FOR THE YEAR		**169,643**	**124,593**
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE PARENT		169,248	104,032
NON-CONTROLLING INTERESTS		395	20,561
		169,643	**124,593**
BASIC/DILUTED EARNINGS PER SHARE (in euros)	**29**	**4.26**	**2.65**
- of which from continuing operations		4.26	3.32
- of which from discontinued operations/disposal groups		—	(0.67)

THE EFFECTS OF TRANSACTIONS WITH RELATED PARTIES ON THE CONSOLIDATED INCOME STATEMENT ARE SHOWN IN NOTE 33 – RELATED-PARTY TRANSACTIONS.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(THOUSANDS OF EUROS)

	Note	2019	2018
Net profit for the year		169,643	124,593
Other comprehensive income to be reclassified to profit or loss in subsequent year:			
Exchange rate gains (losses) on the translation of foreign currency financial statements		1,288	(104)
Gains (losses) on financial assets measured at FVOCI	13	(1,032)	540
Gains (losses) on cash flow hedges	13	1,134	(2,573)
Tax effect		(564)	491
Net other comprehensive income to be reclassified to profit or loss in subsequent year		**826**	**(1,646)**
Other comprehensive income not being reclassified to profit or loss in subsequent year:			
Actuarial gains (losses) on post employment benefit obligations	13	(3,956)	569
Tax effect		787	(86)
Net other comprehensive income not being reclassified to profit or loss in subsequent year		**(3,169)**	**483**
Gains and losses recognized in equity		**(2,343)**	**(1,163)**
Total comprehensive income		**167,300**	**123,430**
Attributable to:			
Equity holders of the parent		166,956	102,849
Non-controlling interests		344	20,581
		167,300	**123,430**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(THOUSANDS OF EUROS)

	Share capital	Share premium reserve	Treasury shares	Translation reserve	Fair value reserve	Other reserves and retained earnings	Profit attributable to equity holders of the parent	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at 01.01.2018	**20,415**	**122,818**	**(71)**	**(728)**	**(1,324)**	**142,515**	**85,590**	**369,215**	**21,309**	**390,524**
Monetary revaluation by hyperinflation	—	—	—	—	—	687	—	687	—	687
Distribution of dividends	—	—	—	—	—	—	(66,733)	(66,733)	(17,204)	(83,937)
Allocation of earnings for 2017	—	—	—	—	—	18,857	(18,857)	—	—	—
Purchase and sale of treasury shares	—	—	(5,518)	—	—	—	—	(5,518)	—	(5,518)
Change of non-controlling interests	—	—	—	—	—	(3,464)	—	(3,464)	(788)	(4,252)
Total comprehensive income	—	—	—	78	(1,561)	300	104,032	102,849	20,581	123,430
Balance at 31.12.2018	**20,415**	**122,818**	**(5,589)**	**(650)**	**(2,885)**	**158,895**	**104,032**	**397,036**	**23,898**	**420,934**
Monetary revaluation by hyperinflation	—	—	—	—	—	1,439	—	1,439	—	1,439
Distribution of dividends	—	—	—	—	—	(16,355)	(61,951)	(78,306)	(14,607)	(92,913)
Allocation of earnings for 2018	—	—	—	—	—	42,081	(42,081)	—	—	—
Share capital increases	2,056	—	—	—	—	(2,056)	—	—	—	—
Change of non-controlling interests	—	—	—	—	—	6,400	—	6,400	1,720	8,120
Total comprehensive income	—	—	—	1,235	(1,388)	(2,139)	169,248	166,956	344	167,300
Balance at 31.12.2019	**22,471**	**122,818**	**(5,589)**	**585**	**(4,273)**	**188,265**	**169,248**	**493,525**	**11,355**	**504,880**

AS REGARDS THE ITEMS IN CONSOLIDATED EQUITY, SEE NOTES 13 AND 14.

CONSOLIDATED STATEMENT OF CASH FLOWS

(THOUSANDS OF EUROS)

	Note	31 December 2019	31 December 2018
OPERATING ACTIVITIES			
Net profit from continuing operations		169,248	130,197
Profit (loss) from discontinued operations/disposal groups	28	—	(26,165)
Profit attributable to equity holders of the parent		169,248	104,032
Adjustments for:			
- Depreciation and amortization		80,869	52,599
- of which from continuing operations	23	80,869	43,571
- (Writebacks) or write-downs of non-current assets	23	97	—
- Capital (gains) losses on disposal of non-current assets	19-24	(33)	43
- Fair value remeasurement of the interest held in investment accounted for using the equity method		(53,906)	(11,625)
- Changes in provisions for risks and charges and employee defined benefit liabilities		(480)	4,995
- Unrealized losses (gains) on exchange rate differences	26	58	(2,554)
- Other changes		(1,332)	(842)
- Taxes	27	54,728	60,055
- Capital gain from discontinued operations		—	(5,578)
- Non-controlling interests		395	20,561
- Result from investments accounted for using the equity method		4,682	(2,419)
Operating profit before changes in working capital		254,326	219,267
(Increase) decrease in trade and other receivables, including contracts assets	10	12,575	(78,867)
(Increase) decrease in inventories	9	(2,678)	(5,275)
Increase (decrease) in trade and other payables, including contracts liabilities	18	(40,998)	52,114
Taxes paid		(61,715)	(66,717)
CASH FLOW PROVIDED BY OPERATING ACTIVITIES(A)		161,510	120,522
INVESTING ACTIVITIES			
Investments in property, plant and equipment		(25,366)	(36,511)
- of which from continuing operations	2	(25,366)	(35,663)
Investments in intangible assets		(32,925)	(24,944)
- of which from continuing operations	3	(32,925)	(22,062)
Acquisition business divisions/companies	30	(251,229)	(75,124)
Definition of amounts paid for acquisitions		—	(1,300)
Purchase of investments	4	(626)	(1,487)
Sale of subsidiaries and joint venture		—	389
Sale of non-current assets		682	770
Other changes		3,908	1,096
CASH FLOW USED IN INVESTING ACTIVITIES(B)		(305,556)	(137,111)
FINANCING ACTIVITIES			
Granting of loans	15	225,487	172,113
Repayment of borrowings	15	(33,625)	(103,940)
Issue of bonds	15	50,000	—
Repayment of bonds	15	(5,229)	(5,229)
Increase (decrease) in other financial payables		(16,366)	38,359
Change in non-controlling interests		—	(4,252)
Consideration for exercise of option on non-controlling interests		—	(4,327)
Net change in financial assets and other non-current receivables		206	(44,778)
Dividends paid to equity holders of the parent	13	(78,306)	(66,733)
Dividends paid to non-controlling interests	14	(14,607)	(17,204)
(Purchase) and sale of treasury shares	13	—	(5,518)
Payment of interest		(14,034)	(8,000)
Receipt of interest		352	284
CASH FLOW PROVIDED BY FINANCING ACTIVITIES(C)		113,878	(49,225)
NET CHANGE IN CASH AND CASH EQUIVALENTS(D =A+B+C)		**(30,168)**	**(65,814)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR(E)	12	**140,867**	**206,681**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR(F=D+E)	12	**110,699**	**140,867**

Notes to the consolidated financial statements at 31 December 2019

I.M.A. INDUSTRIA MACCHINE AUTOMATICHE S.P.A. AND SUBSIDIARIES

(The consolidated financial statements have been translated from the original Italian into English solely for the convenience of international readers)

A) OVERVIEW

IMA Group is a world leader in the design and production of automatic machines for the processing and packaging of pharmaceuticals, cosmetics, tea, coffee, tobacco and other food products.

The Parent Company of the IMA Group is I.M.A. Industria Macchine Automatiche S.p.A. (IMA, IMA S.p.A. or the "Parent Company"), with registered offices at Via Emilia 428/442, Ozzano dell'Emilia (Bologna), and is listed on the electronic stock exchange of Borsa Italiana S.p.A. in the "S.T.A.R." segment.

At 31 December 2019, IMA S.p.A. was held 51.594% by SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A. (56.789% at 31 December 2018), with registered offices at Via Farini 11, Bologna (hereinafter SO.FI.M.A.).

Following the total asymmetric spin-off of Lopam Fin S.p.A., the former parent company of SO.FI.M.A., which took place on 16 July 2019, and its consequent cancellation from the companies register, the entity at the highest hierarchical level that holds control of IMA S.p.A. at 31 December 2019 is SO.FI.M.A., which draws up the consolidated financial statements including the largest group of companies belonging to the Group. These consolidated financial statements are available at the Bologna Companies Register.

Furthermore, it is worth pointing out that IMA S.p.A. adopts the system of shares with increased voting rights pursuant to art. 127-quinquies of the CFA, as commented on in Note 13.

IMA S.p.A. has dealings mainly of a commercial nature with the Group's manufacturing companies, involving the purchase and sale of machines required for the assembly of complete product lines. It also provides these companies with services.

IMA's dealings with the Group's marketing companies relate to the sale, distribution and related customer service activities in their respective territories of products manufactured by IMA's various divisions.

IMA's manufacturing subsidiaries also have similar relationships with these marketing companies.

These financial statements for the year ended 31 December 2019 were approved by the Board of Directors on 12 March 2020 and have been audited by EY S.p.A.

B) GENERAL PREPARATION POLICIES

General principles

In compliance with Regulation (EC) no. 1606/2002, the consolidated financial statements were prepared in accordance with the IAS/IFRS International Accounting Standards issued by the International Accounting Standards Board (IASB) currently in force and the related interpretations issued to date by the Standing Interpretations Committee and the International Financial Reporting Interpretations Committee (SIC/IFRIC), as endorsed by the European Union.

The IMA Group has been applying International Accounting Standards since 2005, whereas the Parent Company IMA S.p.A., using the options provided for by Legislative Decree 38 of 28 February 2005, adopted International Accounting Standards in its own financial statements from 1 January 2006.

The consolidated financial statements of the IMA Group have been prepared on a going-concern basis, since there are no significant doubts or uncertainties about its ability to continue in business for the foreseeable future.

Lastly, it should be noted that, following the Delegated Regulation 2018/815 which integrates Directive 2004/109, regulatory technical standards have been established for the single electronic format to be used for communicating annual reports. In particular, from 1 January 2020, European listed companies have to prepare annual reports according to the same single electronic communication format known as the European Single Electronic Format (ESEF), using the XHTML computer language integrated by appropriate markings in XBRL.

The Group is assessing what has to be done to comply with the new methods on schedule, also monitoring any further developments during the year.

Financial statements

The statement of financial position has been classified on the basis of the operating cycle, distinguishing between current and non-current items. With this distinction, assets and liabilities are considered current if they are expected to be realized or settled as part of the Group's normal operating cycle or within twelve months. Non-current assets held for sale and related liabilities, if any, are shown in the appropriate items.

Costs and revenue for the year are presented in two statements: a consolidated income statement, which analyses costs according to their nature, and a consolidated statement of comprehensive income. The result deriving from discontinued assets and/or disposal groups, if any, is shown under an appropriate item of the consolidated income statement.

The statement of cash flows has been prepared using the indirect method for determining cash flow from operating activities.

Under this method, the net profit for the period is adjusted for the effects of non-monetary transactions, any deferral of operational collections and payments already made, any accrued cash movements and the revenue or cost elements deriving from cash flows attributable to investment or financing activities. The Group classifies interest and dividends as cash flows from financing activities.

The figures contained in the consolidated financial statements as of 31 December 2019 are expressed in thousands of euros, except where otherwise indicated.

C) ACCOUNTING POLICIES AND ACCOUNTING STANDARDS APPLIED

The more significant accounting policies applied are as follows:

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognized at purchase or construction cost, including directly attributable ancillary expenses. Property, plant and equipment are depreciated each year on a straight-line basis over their estimated remaining useful life, as follows:

• Buildings and light constructions	10-40	years
• Plant and machinery	5-10	years
• Industrial and commercial equipment	4	years
• Other assets	4-9	years

The residual value and the estimated useful lives of property, plant and equipment are reviewed at the end of each financial year, if not more frequently.

Land is not depreciated since it has an unlimited useful life.

Ordinary maintenance costs are expensed as incurred. When property, plant and equipment need to be replaced at regular intervals, the cost of the part replaced is reversed from the book value of the asset and the cost of the replacement is capitalized in its place.

The carrying amount of property, plant and equipment is checked periodically for impairment losses, in the manner described in the section on impairment of assets.

When accounting for the sale of property, plant and equipment, the date on which the buyer obtains control of the asset is considered the disposal date, in accordance with the requirements of IFRS 15 to determine when a performance obligation is satisfied.

Furthermore, the amount of the consideration included in the profit or loss deriving from derecognition of these assets is determined in accordance with the requirements of IFRS 15 for determining the transaction price.

LEASES

The contract is, or contains, a lease if, in exchange for a fee, it grants the right to control the use of a specified asset for a certain period of time. When the Group acts as a lessee, at the effective date it recognises an asset consisting of the right of use and a lease liability.

Right-of-Use Assets

Right-of-use assets are recognised at cost and include the amount of the initial measurement of the lease liability, the payments due for the lease made on or before the effective date, net of *lease incentives* received, the *initial* direct costs incurred and, if applicable, dismantling costs.

Right-of-use assets are depreciated on a straight-line basis for the lower of the lease term and the estimated useful life. If, at the end of the lease term, the property is transferred to the lessee or if the cost of the right-of-use asset reflects the fact that the lessee will exercise the purchase option, the depreciation period corresponds to the useful life of the underlying asset.

Right-of-use assets are subject to impairment testing as explained in the section entitled “Impairment of assets”.

Lease liabilities

Lease liabilities are recognised at the present value of payments due over the life of the lease not paid at the start date, and include fixed payments net of any lease incentives to be received, variable payments due for the lease which depend on a index or rate, the amounts that the lessee is expected to pay as guarantees of the residual value, the exercise price of the purchase option, if it is reasonably certain that the lessee will exercise the option, and any penalty payments for termination of the lease if the duration of the lease takes into account the lessee exercising the option to terminate the lease.

The lease payments are estimated using the implicit interest rate of the lease, if this can be easily determined. If this is not possible, the incremental borrowing rate is used, i.e. the interest rate that would have to be paid for a loan, with a similar duration and guarantees, needed to obtain an asset of similar value to the right-of-use asset in a similar economic context. The marginal financing rates applied were determined on the basis of the geographical area in which the contracts were stipulated and according to the maturity band to which the contracts belong.

The value of lease liabilities is increased to take interest into account and is decreased to take payments made into account. In addition, the carrying amount of the lease liabilities is re-measured if there is a change in the lease duration, a change in the valuation of a purchase option for the underlying asset, a change in future payments due for the lease deriving from a change in the index or rate used to determine payments.

The Group has included any extension periods covered by the renewal option in the duration of the contract, when it is assumed with reasonable certainty that it will be exercised, also in consideration of the experience acquired. A condition for renewal of the term is also that the Group can exercise the option without the consent of the counterparty or that the lessor is exposed to a significant penalty in case of termination of the contract. The contracts that may envisage a renewal option refer mainly to property leases.

The Group did not apply this accounting method to the leases involving intangible assets, to short-term leases of property, plant and equipment and leases involving low-value assets. Low-value contracts refer mainly to electronic devices.

INTANGIBLE ASSETS

Bought-in or internally generated intangible assets are recognized when it is likely that their use will generate economic benefits in the future and when their cost can be reliably determined. These assets are recognized at their purchase or production cost.

Intangible assets with finite useful lives are amortised each year on a straight-line basis over their estimated useful lives, as follows:

• Industrial patents and intellectual property rights	3-15	years
• Software, licences and similar rights	5-15	years
• Trademarks	10-20	years
• Development costs	5-15	years

Assets with indefinite useful lives are not amortised but are tested for possible impairment of value on an annual basis, or more frequently if evidence suggests an impairment has occurred.

When accounting for the sale of intangible assets, the date on which the buyer obtains control of the asset is considered the disposal date, in accordance with the requirements of IFRS 15 to determine when a performance obligation is satisfied. Furthermore, the amount of the consideration included in the profit or loss deriving from derecognition of these assets is determined in accordance with the requirements of IFRS 15 for determining the transaction price.

Research costs are charged to the income statement as soon as they are incurred. Development costs that qualify for capitalization as assets under IAS 38 (in relation to their technical feasibility, the intention and ability of the enterprise to complete, use or sell the assets, the availability of the resources required for the completion of the development project and the ability to measure the expenditure reliably) are generally amortised in relation to their future economic utility. Amortisation begins from the moment the products become available for economic use.

The estimate of useful life is reviewed and adjusted to reflect changes in projected future utility.

Goodwill is the excess of the cost of a business combination over the Group's share of the net fair value of those purchased assets, liabilities and contingent liabilities that can be identified individually and recognized separately. Goodwill is an intangible asset with an indefinite useful life.

Goodwill is not amortised. It is allocated to the related cash-generating units (CGUs) and, pursuant to IAS 36 (Impairment of Assets), undergoes impairment testing annually, or more frequently if events or changed circumstances indicate a probable impairment of value. Subsequent to initial recognition, goodwill is recognized at acquisition price net of any accumulated impairment.

IMPAIRMENT OF ASSETS

A tangible or intangible asset or a right-of-use asset, is impaired if its carrying amount is greater than the amount that can be recovered from its use or sale. The impairment test required by IAS 36 ensures that tangible and intangible assets are not carried at a value exceeding their recoverable value, which is the higher of their net selling price or their value in use.

Value in use is defined as the present value of the future cash flows expected to be generated from the continuing use of an asset or by the related CGU. The present value of future cash flows is estimated using a pre-tax discount rate that reflects the current estimated market cost of borrowing, which is calculated in relation to the time value of money and the specific risks associated with the asset.

If the carrying amount exceeds recoverable value, the asset or CGU is written down to reflect such recoverable value. This impairment is charged to the income statement.

Impairment tests are carried out when factors internal or external to the company suggest that the value of an asset may have been impaired. In the case of goodwill and other intangible assets with an indefinite useful life, the impairment test must be carried out at least once a year.

If the conditions that led to an impairment cease to apply, the proportional reinstatement of the value of assets previously written down must not exceed the depreciated historical cost that would have been reported had such earlier impairment not been recognized. Writebacks are recognized in the income statement.

International accounting standards prohibit the reversal of impairment losses recognized in relation to goodwill.

FINANCIAL ASSETS

At the time of initial recognition, financial assets are classified according to the subsequent methods of measurement, i.e. at amortised cost, at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVPL).

The classification of financial assets at the time of initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the business model that the Group uses for their management. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially assesses a financial asset at its fair value plus transaction costs, in the case of a financial asset not at fair value through profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, are valued at the transaction price determined according to IFRS 15, as commented on in the section entitled “Revenue from contracts with customers”. For a financial asset to be classified and valued at amortised cost or at FVOCI, it must generate cash flows that depend only on the principal and interest on the amount of principal to be repaid (so-called “Solely Payments of Principal and Interest or SPPI”). This assessment is referred to as an SPPI test and is performed at instrument level.

For the purpose of subsequent measurement, financial assets are classified into four categories:

Financial assets at amortised cost

The Group evaluates financial assets at amortised cost if both of the following requirements are met:

- the financial asset is owned within the framework of a business model whose objective is to own financial assets in order to collect the contractual cash flows, and
- the contractual terms of the financial asset provide for cash flows at certain dates represented solely by payments of principal and interest on the amount of principal to be repaid.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Profits and losses are recognized in the income statement when the asset is eliminated, modified or revalued.

Financial assets at fair value through OCI

The Group measures assets from debt instruments at FVOCI if both the following conditions are met:

- the financial asset is owned within the framework of a business model whose objective is achieved by collecting contractual cash flows and by selling the financial assets, and
- the contractual terms of the financial asset provide for cash flows at certain dates represented solely by payments of principal and interest on the amount of principal to be repaid.

For financial assets measured at fair value through OCI, interest income, changes for exchange differences and impairment losses, together with write-backs, are recognized through profit or loss and calculated in the same way as financial assets measured at amortised cost. Other changes in fair value are recognized in OCI. At the time of elimination, the cumulative change in fair value recognised in OCI is reclassified to the income statement.

Investments in equity instruments

At the time of initial recognition, the Group may irrevocably choose to classify its equity investments as equity instruments recognised at fair value through OCI when they meet the definition of equity instruments pursuant to IAS 32 "Financial instruments: Presentation" and are not held for trading. Classification is determined for each individual instrument.

Profits and losses achieved on these financial assets are never transferred to the income statement. Dividends are recognized as financial income in the income statement when the right to payment has been authorised, except when the Group benefits from these proceeds as recovery of part of the cost of the financial asset, in which case these profits are recognized in OCI. Equity instruments recognized at fair value through OCI are not subject to impairment testing.

Financial assets at fair value through profit or loss

This category includes assets held for trading, assets designated at the time of initial recognition as financial assets at fair value with changes recognized in the income statement, or financial assets that must necessarily be measured at fair value. Assets held for trading are all those assets acquired for sale or repurchase in the short term. Derivatives, including those that are carved out, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments. Financial assets with cash flows that are not represented solely by principal and interest payments are classified and measured at fair value through profit or loss, regardless of the business model. Financial instruments at fair value with changes recognised in the income statement are recorded in the statement of financial position at fair value and net changes in fair value are recognised in profit/(loss) for the year.

HEDGING INSTRUMENTS

The fundamental characteristics of financial instruments are described in the preceding section with regard to financial assets and in the sections "Finance leases" and "Borrowings" with regard to financial liabilities.

The Group mainly uses derivative financial instruments to hedge exchange rate and interest rate risk. The Group does not hold any speculative financial instruments, in accordance with the procedure approved by the Executive Committee.

At the start of a hedging transaction, the Group formally designates and documents the hedging relationship, to which it intends to apply hedge accounting, its own risk management objectives and the strategy pursued.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk and the ways in which the Group will assess whether the hedging relationship meets the effectiveness requirements of the hedge (including an analysis of the sources of ineffectiveness of the hedge and how the hedge ratio is determined). A hedging relationship meets the eligibility criteria for hedge accounting if it meets the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not prevail over the changes in value resulting from the economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the amount of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge this quantity of hedged item.

The portion of profit or loss on the hedged instrument, relating to the effective hedging portion, is recognized in the statement of other comprehensive income in the fair value reserve, while the ineffective portion is recognized directly in the income statement. When the underlying element being hedged becomes manifest, the fair value reserve is reversed to the income statement and attributed to the carrying value of the underlying.

The fair value of interest rate derivatives is determined by their market value at the date of designation when it refers to hedging instruments of future cash flows. This is recognized in the fair value reserve in equity and reversed to income when the event associated with the underlying financial expense/ income occurs.

Changes in the fair value of instruments that do not satisfy the requirements for hedge accounting are recognized in the income statement as financial income/expense.

INVENTORIES

Inventories are booked at the lower of cost or their estimated net realizable value. Cost is determined using the weighted average cost method for raw, ancillary and consumable materials and semi-finished products, whereas actual cost is used for other inventory items.

TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

Receivables falling due beyond a period considered normal commercial practice and not earning explicit interest are recognized at amortised cost using the effective interest rate method, net of any related impairment losses.

Receivables sold without recourse are derecognized from the balance sheet if substantially all of the related risks and rewards have been transferred to the purchaser.

With regard to impairment, the IAS 39 model based on incurred losses was replaced in 2018 by the expected credit loss (ECL) model, as provided for in IFRS 9. The model assumes a significant level of estimation regarding the impact of changes in economic factors on ECL which are weighted according to probabilities. The impairment loss model is applied to financial assets valued at amortised cost or at FVOCI, except for equity instruments and assets deriving from contracts with customers.

Credit hedging funds are measured using the following methodological approaches: the General deterioration method and the Simplified approach; in particular:

- the General Deterioration Method requires the classification of financial instruments included in the scope of application of IFRS 9 into three stages. The three stages reflect the level of deterioration in credit quality when the financial instrument is acquired and involve a different method of calculating the ECL;
- the Simplified Approach envisages, for trade receivables, contract assets and receivables deriving from lease contracts, the adoption of some simplifications, in order to avoid entities being forced to monitor changes in credit risk, as required by the General Model. Recognition of the impairment according to the simplified approach should be lifetime, so stage allocation is not required. One of the operational examples falling within the simplified approaches for the estimation of ECLs is that of the Provision Matrix, particularly suitable, in terms of its construction, for assessing trade receivables from a particularly fractioned clientele but which offers the possibility of being categorised in the same risk classes. In fact, different impairment rates are determined in the provision matrix, making it possible to group together in the proposed matrix, first of all the receivables based on the days' delay in payment of the trade receivables. In addition to this aggregation variable, impairment rates are estimated by customer classes that show the same loss path. The standard does not lay down a single principle for customer segmentation, leaving each entity free to select the sample sub-sets in order to make them consistent, based on individual experiences. According to the individual customer base, therefore, each entity organises the provision matrix by dividing customers into clusters using different factors and variables such as geographical area, product area and credit rating.

As anticipated above, when the General Deterioration Method is applied, financial instruments are classified into three stages according to the deterioration of their credit quality between the date of initial recognition and the measurement date:

- Stage 1 – for activities that have not undergone a significant increase in credit risk with respect to those recorded at the time of initial recognition or if they have a low credit risk on the reference date, a provision must be recognized that reflects the 12-month ECL: the expected losses are estimated on the basis of possible default events in the following 12 months, with a reduced impact of the calculation on the ECLs. In fact, for this category of instruments, the standard makes it possible to reduce the coefficients, as the parameters are not estimated over a time horizon that reflects the entire residual life of the instrument, permitting a saving in terms of the amount to be accrued to the bad debt provision;

- Stage 2 and 3 – on the other hand, for assets that have undergone a significant increase in credit risk, the entity has to recognize a provision equal to the expected losses over the entire residual life of these financial assets, taking into account the probability of default that could occur over the entire life of the instrument ("Lifetime ECL").

When defining the methodological approach to be applied to the assets in the scope of impairment, the financial assets in the portfolio subject to impairment were analysed with particular reference to trade receivables and contract assets, which represent the majority of the Group's credit exposure.

For trade receivables and contract assets, the Group generally determines qualitative and quantitative thresholds to define the default of these positions which are valued using the IFRS 9 simplified approach (ECL = EAD x PD x LGD). For positions that do not exceed these qualitative and quantitative thresholds, the Group assesses the ECL by dividing these credits into specific clusters, also taking into account the geographical area, the product area and the credit rating, applying the impairment model based on expected losses through the operational exemplification of the provision matrix. For trade receivables deemed individually significant by management and for which more detailed information on the significant increase in credit risk is available, a simplified approach has been applied within the simplified model.

Impairment losses determined in accordance with IFRS 9 are presented separately in the income statement if the amount is considered significant.

For further information on receivables and contract assets, please refer to the comments in the section on Revenue from contracts with customers.

CASH AND CASH EQUIVALENTS

This item includes cash on hand, sight and short-term bank deposits with an original maturity of not more than three months and with no risks. Bank overdrafts repayable on demand are not an integral part of the management of cash and cash equivalents.

TREASURY SHARES

In accordance with IAS 32, treasury shares are classified separately as a direct deduction from shareholders' equity. No gain or loss is recognized in income on the purchase, sale or cancellation of treasury shares. Any consideration paid or received, including expenses directly attributable to such equity transactions, net of any related tax benefits, is recognized directly in equity.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are set aside to cover current, legal or implicit liabilities deriving from past events, the amount required for the settlement of which can be reasonably estimated at the end of the period.

No provisions are recorded if a liability is considered to be merely potential, although suitable information is provided in the notes to the financial statements.

EMPLOYEE BENEFITS

Employee benefits mainly include the staff severance pay of the Group's Italian companies.

As a result of the reform of the supplementary pension scheme, introduced by Law 296 of 27 December 2006 (the Finance Act 2007), the Group calculates the actuarial value of severance pay accrued before 2007 without making allowance for any future wage increases. The portion accrued after 31 December 2006 is treated as a defined-contribution plan.

The net liabilities of the Group in relation to the defined-benefit plans are determined separately for each plan, estimating the present value of the future benefits earned by employees during the current and prior years, and deducting the fair value of any assets held to service the plan.

Actuarial gains and losses are recognized in a specific equity reserve. The cost of each plan is determined with reference to demographic and statistical assumptions and on the basis of wage trends.

BORROWINGS

Financial liabilities are split by IFRS 9 into financial liabilities at amortised cost and financial liabilities measured at fair value through profit or loss (FVPL).

Borrowings are valued at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future payments or collections over the expected life of the financial instrument to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

The financial liability is eliminated when it is extinguished, i.e. when the obligation specified in the contract is fulfilled, cancelled or expired.

OTHER PAYABLES

As regards the put & call options on minority interests, the Group recognizes al financial liability equal to the current value of the option's strike price, which is classified under Other payables.

At the time of initial recognition of the liability, this value is reclassified from net equity by reducing the minority interest if the terms and conditions of the put & call options already give the Group access to the economic benefits related to the portion of capital optioned; the Group therefore accounts for this share as if it had already been purchased. The liability is subsequently re-measured at each closing date in accordance with IFRS 9.

GOVERNMENT GRANTS

Government grants are recognized when it becomes reasonably certain that the Group will comply with all the conditions established for receipt of the grants, and that such grants will actually be received. They are recorded using the income method.

Note that the Group has included the information required by article 1, paragraph 125, of Law 124 of 4 August 2017 in the notes.

TAXES

Income taxes include current and deferred taxes. Income taxes are generally recognized in profit or loss except when they regard items recognized directly in equity. In this case, the related income taxes are also recognized in equity.

Current taxes are taxes which are expected to pay based on the taxable income for the year and are calculated using the tax rate applying in the various countries in which the IMA Group operates.

Deferred tax liabilities are calculated by applying the liability method to temporary differences between the value of consolidated balance sheet assets and liabilities and the corresponding values recognized for tax purposes. Deferred taxes are determined using the tax rate which is expected to apply when the assets are realized or the liabilities settled.

Deferred tax assets are recognized only when it is probable that taxable income in future years will be sufficient to realize them.

Deferred tax assets and liabilities are off-set only when there is a legal entitlement to do so and when they relate to taxes due to the same tax authority.

Provision for taxes that might arise on transferring undistributed earnings of subsidiaries are only made if there is a real intention to transfer such earnings.

Taxes relating to prior periods include revenue and expenses recognized during the year for income tax relating to prior years.

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue deriving from contracts with customers are recognized on the basis of the following five steps: (i) identification of the contract with the customer; (ii) identification of performance obligations to be transferred to the customer in exchange for the consideration; (iii) identification of the contractual consideration; (iv) allocation of the consideration to the individual performance obligations; (v) recognition of revenue when each performance obligation is satisfied.

Revenue is recognized for an amount that reflects the consideration to which the Group believes it is entitled to fulfil its obligation, with the transfer of the goods or service when the customer acquires control. The Group's main revenue streams are:

- machines and contracts in progress,
- change parts (sub-units of machines that are sold together with them or at a later date),
- spare parts and other materials,
- technical assistance.

Contract work and part of the technical assistance, commissioning services in particular, are obligations to be fulfilled over time. The method of measuring progress in fulfilling contract work in progress, on projects carried out according to specific customer needs, is the cost-to-cost input method that accounts for revenues based on the effort (or input, i.e. costs) that the Group makes in fulfilling the performance obligation guaranteed to the client on the total inputs that it expects to have to use to complete it (contract budget).

The valuation reflects the best estimate of the project costs at the balance sheet date. The directors base their estimates on the information deriving from the internal contract reporting, forecasting and accounting system; they also examine and, where necessary, review the estimates of revenue and costs at the various stages of completion of an order. Any economic effects are recognized in the period that the updates are made.

To provide better support for management's estimates, the Group has set up contract risk analysis tools, designed to identify, monitor and quantify the risks relating to the performance of such contract work.

The machines, kits, spare parts and other materials and the after-sales technical assistance represent obligations to fulfil at a point in time. Revenue relating to the sale of products is recognized when substantially all of the risks and rewards of control over the goods have been transferred to the purchaser. The moment of transfer of control coincides with the transfer of ownership or possession of the goods to the buyer and therefore generally coincides with the shipment of the goods or completion of the service.

The Group generally receives short-term advances from its customers. The agreed amount of the consideration is not adjusted to take into account the effects of a significant financing component if, at the beginning of the contract, the time lapse between the moment when the Group transfers the asset or completes the service and the moment when it receives payment is not expected to exceed 12 months. Presentation in the financial statements is as follows:

- Contract assets: the right to a consideration in exchange for goods or services transferred to the customer. If the transaction is fulfilled before payment of the consideration or before the payment is due, the contract is presented as an asset deriving from a contract, excluding the amounts presented as receivables. At each balance sheet date, the Group checks whether the asset deriving from a contract has suffered impairment according to IFRS 9;
- Receivables: the unconditional right to a consideration. The right to consideration is unconditional if only the passage of time is required to make the payment due. At each reporting date, the Group checks for any impairment according to IFRS 9;
- Contract liabilities: the obligation to transfer to the customer any goods or services for which consideration has been received from the customer. If the customer pays the consideration before the goods or services have been transferred, the contract is presented as a liability deriving from a contract at the time the payment is made.

The contract assets and contract liabilities relating to existing contracts are shown net in the statement of financial position as follows:

- the amount due from customers for contract work in progress is recorded as an asset, under Contract assets, when it exceeds any advances that have been received;
- advances received on contract work in progress are recorded as a liability, under Contract liabilities, when they exceed the relative amount owed by the customers.

This analysis is carried out for each project.

DISCONTINUED OPERATIONS/DISPOSAL GROUPS

Non-current assets (or groups of assets being divested) are classified as held for sale if their carrying amount will be recovered essentially through disposal rather than through continued use. These assets are measured at the lower their carrying amount or their fair value, net of selling costs.

Assets and liabilities held for sale are classified separately from other assets and liabilities in the balance sheet. If the assets and liabilities held for sale meet the definition of discontinued operations, their results are reported separately in the income statement, net of tax. In this case, the comparative income statement is restated accordingly.

TRANSLATION OF FOREIGN CURRENCY BALANCES

Functional and presentation currency

The balance sheets, income statements and statements of cash flows of Group companies are prepared using the currency of the primary economic environment in which the companies operate (functional currency). The consolidated financial statements are presented in Euros, the Parent Company's functional and presentation currency.

Transactions and balances

As required by IAS 21, amounts originally denominated in foreign currency are translated into the functional currency and are accounted for as follows:

- monetary items are translated at the spot exchange rate prevailing at the end of the period;
- non-monetary items recognized at historical cost are translated using the exchange rate prevailing at the time of the transaction;
- non-monetary items measured at fair value are translated using the exchange rate prevailing at the time the fair value was determined.

Exchange rate differences realized on the collection of receivables or the settlement of payables denominated in foreign currencies are taken to the income statement. Unrealized exchange differences arising from the translation of monetary items at the year-end spot exchange are taken to the income statement.

Group companies

The translation into Euros of the financial statements of foreign companies included within the scope of consolidation is carried out by applying the current exchange rate at the closing date to balance sheet assets and liabilities, and the average exchange rates for the period to items in the income statement.

Exchange rate differences deriving from the translation of initial net equity at the rates current at the end of the period and from the translation of the income statement at the same rates at the end of the period are recognized as a separate component of equity called the translation reserve.

Goodwill arising on the acquisition of a foreign operation is accounted for as an asset of the foreign operation and translated at the spot exchange rate at the balance sheet date, with an opposite entry made to the translation reserve.

The principal exchange rates, as reported by the European Central Bank and used for the translation to Euro of foreign currency amounts, are as follows:

	2019		2018	
Currency	**Final exchange rate**	**Average exchange rate for the year**	**Final exchange rate**	**Average exchange rate for the year**
US dollar	1.123	1.120	1.145	1.181
GB pound sterling	0.851	0.878	0.895	0.885
Indian rupee	80.187	78.836	79.730	80.733
Chinese yuan	7.821	7.736	7.875	7.808
Swiss franc	1.085	1.112	1.127	1.155
Argentine peso	67.275	67.275	43.159	43.159

Following the adoption of IAS 29 Accounting in Hyperinflationary Economies, the year-end exchange rate of the Argentine Peso is used as the average exchange rate. The Group has applied this standard to the subsidiaries whose functional currency is the Argentine Peso.

HYPERINFLATION

In application of IAS 29 Accounting in Hyperinflationary Economies, the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy must be reported in the current unit of measurement at the year-end date.

The balance sheet values not yet expressed in the current unit of measurement at the balance sheet date, i.e. non-monetary assets and liabilities and equity, are restated by applying a general price index that reflects the changes in general purchasing power.

The monetary elements, represented by any cash held and by the asset or liability items whose values must be received or paid in cash, are not restated as they are already expressed in the current unit of measurement at the balance sheet date.

The gain or loss on the net monetary position is recognized in the income statement. Income statement balances are translated by applying the closing exchange rate instead of the average exchange rate, as required by IAS 21.

The standard is applied to the subsidiaries in Argentina.

DIVIDENDS

Dividends distributed to shareholders of the Parent Company are recognized as a liability in the consolidated financial statements in the period in which the dividend is approved by the Shareholders' Meeting.

EARNINGS PER SHARE

Basic earnings per share are calculated as the ratio of Group net profit to the weighted average number of ordinary shares outstanding in the period. As required by IAS 33, earnings per share from discontinued operations are shown separately in the income statement.

USE OF ESTIMATES AND ASSUMPTIONS

When preparing consolidated financial statements, management must use accounting principles and methods which, in some cases, are based on difficult and subjective valuations and estimates, which are based on past experience, and on assumptions that are deemed from time to time as reasonable and realistic on a case-by-case basis.

Application of these estimates and assumptions affects the amounts shown in the financial statements, namely the balance sheet, income statement and cash flow statement, as well as the explanatory notes.

The financial statement items that require a greater subjectivity on the part of the directors in preparing estimates and for which a change in the conditions underlying the assumptions used can have a significant impact on the Group's consolidated financial statements are:

- goodwill and other intangible assets,
- deferred tax assets,
- inventories,
- revenue from contracts with customers,
- contract assets and liabilities,
- liabilities for employee benefits,
- liabilities calculated as the current value of the exercise price of purchase options on minority interests,
- bad debt provisions,
- identification of a lease contract, estimate of its duration in the presence of options for renewal or early termination, estimate of the components of a liability by lease and the related discount rate,
- provisions for risks and charges.

With reference to goodwill and other intangible assets, in relation to both the allocation of the price of business combinations and the impairment test, the processes and methods for evaluating and determining estimates are based on complex assumptions regarding revenue, operating costs, margins, investments, terminal value growth rates and discount rates, to differentiate for each CGU on the basis of the different markets in which the Group operates.

As regards revenue from contracts with customers for contract work and contract assets and liabilities, application of the cost-to-cost method requires a prior estimate of the entire lifetime costs of individual projects, updating them at each balance sheet date. This requires assumptions to be made by the directors. These assumptions can be affected by multiple factors, such as the time span of several years over which some projects are developed, their high level of technology and innovative content, the possible presence of price variations and revisions, and machinery performance guarantees, including an estimate of contractual risks, where applicable. These facts and circumstances make it difficult to estimate the projects' costs to complete and, consequently, to estimate the value of contract work in progress at the balance sheet date.

The parameters used when making estimates are analytically commented on in the section on accounting policies in the notes to the consolidated financial statements.

Estimates and assumptions are regularly revised and the effects of any changes are immediately reflected in the income statement.

SEGMENT INFORMATION

Operating segments have been identified based on the internal reports used by senior management to allocate resources and evaluate the results of each business.

The Group's segment information is divided into the Tea, Food & Other, Pharmaceutical and Tobacco Packaging segments, grouped together by reference markets.

IMPLEMENTATION OF ACCOUNTING STANDARDS

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2019

The Group has applied IFRS 16 – Leases from 1 January 2019. This standard, published in January 2016, replaces IAS 17 – Leases, IFRIC 4 – Determining whether an arrangement contains a lease, SIC-15 – Operating Leases – Incentives and SIC-27 – Evaluating the substance of transactions in the legal form of a lease.

IFRS 16 defines the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize all leases on the balance sheet on the basis of a single model similar to the one used to account for finance leases under IAS 17.

The Group has applied the standard by adopting the simplified retrospective method, assessing, for leases previously classified as operating leases, the lease liability at the current value of the residual payments due, discounted using the lessee's marginal financing rate on the date of the initial application, and recognising the asset consisting of the right of use for an amount equal to that of the liability. There are therefore no cumulative effects to adjust the opening balance of the equity and the figures for the comparative period have not been restated. In particular, the net assets recorded at the date of FTA amounted to 141,091 thousand euros (property, plant and equipment of 141,712 thousand euros, net of deferred costs of 621 thousand euros) and lease liabilities of 141,091 thousand euros.

For leases previously classified as finance leases, the carrying amount of the right-of-use asset and the lease liability at the date of first-time adoption is the carrying amount of the leased asset and the lease liability measured immediately before this date by applying IAS 17.

Furthermore, the Group has used the right not to re-examine whether a contract is, or contains, a lease on the date of first application.

In these consolidated financial statements, right-of-use assets and lease liabilities are shown in the statement of financial position under Right-of-use assets and Lease liabilities, respectively. Details of the rights of use assets and of the lease liabilities are provided in Notes 2 and 15.

In the statement of cash flows, repayment of the principal and interest on the financial liability is shown as part of the cash flows of the financing activity.

The lease contracts entered into by the Group are essentially attributable to real estate and car leases. Non-lease components were not included in determining the right-of-use assets and lease liabilities.

The Group included in the duration of the contract any extension periods covered by the renewal option, when assumed with reasonable certainty that it will be exercised, also based on past experience, and took advantage of the option to exclude short-term contracts (including leases with a duration that ends within 12 months from the date of initial application) from the scope of application of the standard and contracts in which the underlying asset is of low value.

The marginal financing rates applied were determined on the basis of the geographical area in which the contracts were stipulated and according to the maturity band to which the contracts belong. The weighted average of the rate applied is approximately 3%.

The difference between the commitments relating to operating leases and rents and the liability deriving from the impact of IFRS 16 is shown below:

in thousands of euros	01.01.2019
Operating lease obligations at 31 December 2018	137,452
Minimum lease payments (notional amount) on finance lease liabilities at 31 December 2018	8,264
Relief option for short term leases and for leases of low value assets	(1,241)
Other	26,594
Gross lease liabilities at 1 January 2019	**171,069**
Discounting	(22,059)
Lease liabilities at 1 January 2019	**149,010**
Present value of finance lease liabilities at 31 December 2018	(7,919)
Additional lease liabilities as result of the initial application of IFRS 16 at 1 January 2019	**141,091**

The amount shown in Other refers mainly to various considerations made about the duration of the contracts when analysing those that were outstanding at the transition date.

First-time adoption (FTA) of IFRS 16 had no effect on the calculation of the financial parameters foreseen in existing covenants.

In the 2019 income statement, the FTA of IFRS 16 led to the elimination of operating lease payments for 23,170 thousand euros and the recognition of depreciation of the right of use assets and interest expense on the lease liabilities of 21,024 thousand euros and 4,208 thousand euros, respectively.

The Group has applied IFRIC 23 – Uncertainty over Income Tax Treatments from 1 January 2019. The interpretation clarifies how to apply the requirements relating to the recognition and measurement referred to in IAS 12 when there is uncertainty about the treatments for income tax purposes and, in particular, about any tax treatments adopted which may not be accepted by the tax authorities. Following adoption of the interpretation, the Group looked to see if there were any uncertain tax positions and came to the conclusion that they would not have any impact on its consolidated financial statements.

The other amendments and interpretations of accounting standards and methods in force from 1 January 2019 govern circumstances and situations that are not present or relevant to the Group's consolidated financial statements:

- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures;
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation;
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement;
- Annual cycle of improvements to IFRS 2015-2017 – includes some amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23.

Accounting standards issued but not yet in force

The following is a list of the other standards and interpretations that had already been issued at the time this document was being prepared, but were not yet in force:

- IFRS 17 – Insurance Contracts;
- Amendments to References to the Conceptual Framework in IFRS Standards;
- Amendments to IFRS 3 – Definition of a business;

- Amendments to IAS 1 and IAS 8 – Definition of material;
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IAS 1 – Presentation of financial statements: classification of liabilities as current or non-current.

The Group does not expect any significant impacts on its assets and liabilities, results and financial position from applying these standards.

D) FINANCIAL RISK MANAGEMENT

RISK FACTORS

The Group is exposed to various types of financial risk connected with its business activities, the following in particular:

- Credit risk arising from commercial transactions or financing activities;
- Liquidity risk related to the availability of financial resources and access to the credit market;
- Market risk, specifically:
  a) Exchange rate risk, relating to operations in areas using currencies other than the functional currency;
  b) Interest rate risk, relating to the Group's exposure to interest-bearing financial instruments;
  c) Price risk, associated with changes in the listed price of capital instruments held as financial assets and in commodity prices.

CREDIT RISK

The Credit Management unit is responsible for the operational management of these risks. It is centralized with the Administration, Finance and Control department and operates based on a credit policy that governs:

- the assessment of the customer's credit standing, taking into account the corporate and country credit rating when allowing extended payment terms, including positions backed by adequate bank or insurance guarantees;
- monitoring the related expected cash flows;
- appropriate payment solicitation actions;
- recovery actions.

Writedowns are made by percentage of past due positions, based on times series of insolvency, except for any writedowns of specific receivables. With respect to a breakdown of trade receivables by due date, reference should be made to Note 10.

Financing activities are primarily directed at Group companies and are therefore considered to be at a likelihood of immaterial risk.

It should be noted that at 31 December 2019 the Group was not party to any sovereign debt positions with redemption risks.

Sureties and other non-bank guarantees are given mainly on behalf of subsidiaries to back loans and financing extended by banks or commitments to pay lease instalments.

In the case of financing activities linked to temporary excess liquidity or of the use of financial instruments (derivatives), the Group operates solely with counterparties with high credit standing.

The Group's maximum theoretical credit risk exposure at 31 December 2019 is represented by the carrying amount of the financial assets stated in the financial statements, and by the nominal value of the guarantees given as described in Note 31.

Liquidity risk

The difficult conditions in the financial markets make it fundamentally important to maintain adequate liquidity available to meet Group requirements. The two main factors that determine the Group's liquidity position are, on the one hand, the resources generated or absorbed by operating or investment activities, and on the other, the maturity and renewal characteristics of the debt or the liquidity of the financial instruments used and market conditions.

The treasury units of the individual companies are responsible for managing this risk, based on the guidelines set out by the finance department, under the coordination of the Parent Company's treasury unit.

The Group has adopted a series of policies and processes designed to optimise the management of financial resources, thus reducing liquidity risk. These include:

- maintaining an adequate level of available liquidity;
- obtaining sufficient lines of credit;
- monitoring forecast liquidity conditions in relation to the corporate planning process.

With regard to this type of risk, the Group tends to configure its net debt by financing investments with medium/long-term loans, while meeting current commitments out of the cash flow generated by operations and by using short-term lines of credit.

The following tables shows the composition and maturity of financial and trade payables and commitments:

in thousands of euros	Within 1 year	From 1 to 5 years	Beyond 5 years	Total
31.12.2019				
Borrowings and lease liabilities	144,370	510,333	153,789	808,492
Commitments	44,823	1,338	—	46,161
Trade Payables	412,793	984	—	413,777
Total	**601,986**	**512,655**	**153,789**	**1,268,430**
31.12.2018				
Borrowings	106,529	239,782	43,499	389,810
Commitments	29,851	70,304	45,156	145,311
Trade Payables	363,194	1,000	—	364,194
Total	**499,574**	**311,086**	**88,655**	**899,315**

Further information on the composition of the above items is provided in Notes 15, 18 and 32.

At 31 December 2019 the Group had about 550 million euros available in unused lines of credit (462 million euros at 31 December 2018) and cash and cash equivalents of 111 million euros (141 million euros at 31 December 2018). As to the balancing of net working capital, especially the coverage of payables to suppliers, net trade receivables came to 420 million euros at 31 December 2019 (384 million euros at 31 December 2018).

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will change due to changes in the market price. Market price includes three types of risk: exchange rate risk, interest rate risk and other price risks.

Exchange rate risk

The current business activities of companies of the Group whose functional currency is the euro, which actively operate in markets outside the euro area, are exposed to exchange rate risk, mainly with respect to sales in the US dollar area. The Group's policy on exchange-rate risk provides for the use of forward contracts to hedge between 70% and 90% of future transactions denominated in foreign currencies, depending on whether they consist of budgeted flows of sales in foreign currencies or flows from the backlog acquired. Changes in exchange rates between the date of invoicing and the date of receipt of funds are managed separately, without recourse to hedge accounting, by offset against similar payment flows.

Group investments in foreign subsidiaries are not hedged since the foreign currency positions are considered to be long term. The following tables contains an analysis of the effects of exchange-rate risk:

			Exchange rate risk (ERR)			
			Increase effect		Decrease effect	
in thousands of euros	Carrying value	Of which subject to ERR	Profits (Losses)	Other changes in FVR	Profits (Losses)	Other changes in FVR
Financial assets:						
Cash and cash equivalents	110,699	50,926	(995)	—	964	—
Trade and other receivables	480,556	118,390	(2,169)	—	2,257	—
Financial assets at amortized cost, at FVOCI and at FVPL	68,003	—	—	—	—	—
Derivative financial instruments	983	983	—	343	—	(49)
Tax effect			759	(82)	(773)	12
			(2,405)	**261**	**2,448**	**(37)**
Financial liabilities:						
Borrowings	492,840	34,028	431	80	(449)	(83)
Bonds	152,406	25,433	—	—	—	—
Lease liabilities	163,246	—	—	—	—	—
Trade and other payables	783,828	161,597	3,141	—	(3,270)	—
Derivative financial instruments	5,442	91	—	11	—	(317)
Tax effect			(857)	(22)	893	96
			2,715	**69**	**(2,826)**	**(304)**
Total increases (decreases) for 2019(*)			**310**	**330**	**(378)**	**(341)**
Total increases (decreases) for 2018(**)			**(283)**	**608**	**286**	**(630)**

2019 and 2018 variability parameters: +/-2% €/$, +/-2% €/£ and +/-2% €/CNY

Further information on the composition of the above items is provided in Notes 5, 7, 10, 12, 15 and 18.

The variability parameters applied fall within the range of reasonably possible changes in the exchange rate, all other factors being equal.

The following tables show the breakdown by currency of trade and other receivables and payables at 31 December 2019 and 31 December 2018:

in thousands of euros	Trade receivables and contract assets	Advances, taxes and other receivables	Trade payables and contract liabilities	Tax, employee and other payables
Euro	318,901	43,024	472,585	207,373
US dollar	60,531	4,202	44,911	14,176
Swiss franc	16,965	3,437	8,705	2,464
Indian rupee	3,813	2,240	4,175	2,907
GB Pound sterling	3,421	720	2,536	682
Thai baht	3,391	3,766	2,991	570
Chinese yuan	6,695	1,483	10,145	3,727
Japanese yen	713	11	149	146
Brazilian real	877	553	555	679
Russian ruble	1,242	498	979	242
Other	3,030	1,043	1,929	1,202
Total at 31 December 2019	**419,579**	**60,977**	**549,660**	**234,168**
Euro	292,844	47,715	458,308	153,308
US dollar	56,659	3,516	42,165	7,777
Swiss franc	12,978	2,002	12,573	2,297
Indian rupee	3,610	2,328	5,492	2,392
GB Pound sterling	4,490	978	2,134	1,320
Thai baht	2,421	3,456	2,079	477
Chinese yuan	4,419	1,890	10,533	3,126
Japanese yen	975	37	283	172
Brazilian real	1,418	431	1,106	614
Russian ruble	642	60	619	241
Other	3,580	758	2,757	1,331
Total at 31 December 2018	**384,036**	**63,171**	**538,049**	**173,055**

It should also be noted that at 31 December 2019 the financial assets at amortised cost, FVOCI and FVPL are mainly denominated in Euro.

Interest rate risk

In order to conduct its business, the Group raises financing from the market, borrowing primarily at floating interest rates, and is thus exposed to risks relating to rising interest rates.

The objective of interest rate risk management is to contain and stabilize the outflow of interest payments on mainly medium-term debt so as to achieve close correlation between the underlying and the hedging instrument.

Hedging, which is decided on a case-by-case basis, is arranged using derivative contracts, typically purchases of IRS and caps and sales of floors which, once a certain level has been reached, transform a floating rate into a fixed rate.

The following tables contains an analysis the effects of these risks:

in thousands of euros	Carrying value	Of which subject to IRR	Interest rate risk (IRR) Increase effect Profits (Losses)	Increase effect Other changes in FVR	Decrease effect Profits (Losses)	Decrease effect Other changes in FVR
Financial assets:						
Cash and cash equivalents	110,699	52,452(*)	229	—	(19)	—
Trade and other receivables	480,556	—	—	—	—	—
Financial assets at amortized cost, at FVOCI and at FVPL	68,003	—	—	—	—	—
Derivative financial instruments	983	—	—	—	—	—
Tax effect			(55)	—	5	—
			174	**—**	**(14)**	**—**
Financial liabilities:						
Borrowings	492,840	496,563(*)	(2,834)	—	2,834	—
Bonds	152,406	—	—	—	—	—
Lease liabilities	163,246	— (**)	—	—	—	—
Trade and other payables	783,828	—	—	—	—	—
Derivative financial instruments	5,442	3,842	—	3,216	—	(3,093)
Tax effect			680	(772)	(680)	742
			(2,154)	**2,444**	**2,154**	**(2,351)**
Total increases (decreases) for 2019			**(1,980)**	**2,444**	**2,140**	**(2,351)**
Total increases (decreases) for 2018			**(770)**	**2,050**	**921**	**(2,194)**

2019 and 2018 variability parameters +/- 50 bp €/$
(*) Annual average.
(**) Not considered as they are fixed rate
Further information on the composition of the above items is provided in Notes 5, 7, 10, 12, 15 and 18.

The variability parameters applied fall within the range of reasonably possible changes in the interest rate, all other factors being equal.

The Group considered that to date the variables underlying the determination of variable interest rates continue to be quantities widely traded on the markets.

Exchange rate and interest rate risk management is carried out in line with the risk management policy approved by the Executive Committee of the Parent Company.

Price risk

At 31 December 2019, the Group is not exposed to price risk on investments in listed capital instruments classified in the financial statements as "financial assets".

The Group is not exposed to significant price risk in relation to commodities.

CAPITAL RISK MANAGEMENT

The Group manages capital with the goal of supporting its core business and optimising value for shareholders by maintaining an appropriate capital structure and reducing its cost.

The Group monitors its capital with reference to the gearing ratio, which is the ratio between its net debt and its equity:

in thousands of euros	2019	2018
Net debt (A)	637,080	184,583
Equity (B)	504,880	420,934
Total capital (A)+(B)=(C)	1,141,960	605,517
Gearing ratio (A)/(C)	**56%**	**30%**

The change occurred due to the adoption in 2019 of IFRS 16 for 155,970 thousand euros.

As regards the change in net debt, please read Note 15.

FAIR VALUE

IFRS 13 establishes the following fair value hierarchy to be used when measuring the financial instruments shown in the balance sheet:

- Level 1: quoted prices in active markets;
- Level 2: inputs other than the quoted prices of Level 1 that are observable on the market, either directly (prices) or indirectly (derived from prices);
- Level 3: inputs that are not based on observable market data.

The following table shows the assets and liabilities measured at fair value at 31 December 2019 and 31 December 2018 by fair value hierarchy level:

in thousands of euros	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets	—	—	22,881	22,881
Derivative financial instruments	—	983	—	983
Total assets at 31 December 2019	**—**	**983**	**22,881**	**23,864**
Liabilities:				
Payables for acquisitions	—	—	113,172	113,172
Derivative financial instruments	—	5,442	—	5,442
Total liabilities at 31 December 2019	**—**	**5,442**	**113,172**	**118,614**

in thousands of euros	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets	—	—	19,048	19,048
Derivative financial instruments	—	382	—	382
Total assets at 31 December 2018	**—**	**382**	**19,048**	**19,430**
Liabilities:				
Payables for acquisitions	—	—	61,993	61,993
Derivative financial instruments	—	5,116	—	5,116
Total liabilities at 31 December 2018	**—**	**5,116**	**61,993**	**67,109**

Investments in other companies and investments in securities held as financial assets at FVOCI are measured at fair value and the related unrealized gains and losses are recognized as part of other comprehensive income, except as discussed in Note 5 in relation to Mint Street Holding S.p.A., a financial asset valued at FVPL.

During 2019, there were no transfers between the three levels of the fair value hierarchy laid down in IFRS 13. There have not been any significant changes in the commercial or economic circumstances which affect the fair value of financial assets and liabilities.

The following table shows the changes in level 3:

in thousands of euros	Assets	Liabilities
Balance at 01.01.2018	10,370	34,269
Profit/(losses) recognized in PL	(543)	2,335
Profit/(losses) recognized in OCI	540	—
Acquisition of TMC Group	196	22,213
Acquisition of Ciemme S.r.l.	—	7,006
Amounts paid for acquisitions	—	(4,334)
Increases/(decreases)	8,485	504
Balance at 31.12.2018	**19,048**	**61,993**
Profit/(losses) recognized in PL	2,740	340
Profit/(losses) recognized in OCI	(1,032)	—
Acquisition of ATOP S.p.A.	—	24,685
Acquisition of Perfect Pack S.r.l.	—	14,019
Acquisition of Spreafico Automation S.r.l.	—	9,252
Acquisition of Tecmar S.A. and Spare & More S.r.l.	—	3,232
Increases/(decreases)	2,125	(349)
Balance at 31.12.2019	**22,881**	**113,172**

Information about the methods used to calculate fair value is provided in Note 5 on financial assets, in Note 15 on borrowings and Note 30 on payables for acquisitions, represented by potential payments associated with the purchase of minority interests in subsidiaries that took place during the year and previous years.

E) CONSOLIDATION PRINCIPLES

Subsidiaries

Companies are subsidiaries when the Group is exposed or has the right to variable returns deriving from its relationship with the investee and, at the same time, is able to influence such returns by exercising its power over that entity.

The general presumption is that the ability to exercise the majority of voting rights represents control. In support of this presumption and when the Group holds less than the majority of voting (or similar) rights, the Group considers all significant facts and circumstances in order to determine if it controls the investee, including contractual agreements with other holders of voting rights, rights deriving from contractual agreements and potential voting rights.

The financial statements of subsidiaries are consolidated on a line-by-line basis from the date on which control is acquired until the date such control ceases.

Under IFRS 3, the subsidiaries acquired by the Group are accounted for using the purchase method, which establishes that:

- the consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair value of assets transferred and liabilities assumed by the Group at the date of acquisition and equity instruments issued in exchange for control of the acquiree. The charges relating to the transaction are recognized in the income statement when they are incurred;
- the excess of purchase cost over the fair value of net assets attributable to the Group is accounted for as goodwill;

- should purchase cost be lower than the fair value of the subsidiary's net assets attributable to the Group, such difference is directly recognized in the income statement.

If the initial recognition of a business combination can only be determined provisionally, the adjustments to the values initially assigned are recognized within twelve months of the acquisition date.

Minority (or "non-controlling") interests in equity and net profit are shown as separate items in the consolidated balance sheet and income statement, respectively.

If a subsidiary is not wholly owned, the minority interest in equity is determined with reference to its portion of the fair value of assets and liability at the time control was acquired, excluding any attributable goodwill (partial goodwill method). Alternatively, the entire amount of the goodwill generated by the acquisition is recognized, taking account of the portion attributable to the minority interest (full goodwill method); in this last case, the minority interest is stated at its total fair value, including the goodwill attributable to it. The choice of method for determining the amount of goodwill (partial goodwill method or full goodwill method) is decided on a case-by-case basis for each business combination.

Payables, receivables, costs and revenue between the companies included in the scope of consolidation, as well as the effects of all material transactions between them, have been eliminated on consolidation.

Specifically, unrealized gains with third parties deriving from transactions between Group companies have been eliminated, including those from the valuation of inventories at the reporting date.

Associated companies

An associate is a company over which the Group exercises significant influence. Significant influence means the power to participate in the determination of financial and operating policies, without exercising control or joint control.

Such influence is presumed to exist when the Group holds an interest of between 20% and 50% of voting rights. The consolidated financial statements include the share of the net profits and losses of associated companies, valued using the equity method, from the date on which significant influence begins until the date that it ends.

Profits and losses pertaining to the Group after the purchase of associates are recognized in the income statement.

Equity investments in associates are initially recorded at purchase cost. Any excess of purchase cost over the Group's proportional share of the fair value of the net assets acquired is included in the value of the investment.

Joint ventures

A joint venture is a joint arrangement whereby the parties that exercise joint control have rights to the net assets of the arrangement. Joint control arises under a contractual agreement to share control over an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of all the parties sharing control.

Investments in joint ventures are recognized using the equity method.

F) SCOPE OF CONSOLIDATION

The consolidated financial statements at 31 December 2019 include the financial and operating information of I.M.A. Industria Macchine Automatiche S.p.A. (Parent Company) and of all the companies over which it exercises direct or indirect control.

A list of the companies included in the consolidation is provided in paragraph H of the Notes, with an indication of the consolidation method used.

The main events in 2019 regarding the companies included in the consolidation area are as follows:

- on 2 January 2019, Delta Systems & Automation Inc., 100% owned by Ilapak Inc., was sold to the subsidiary Packaging Systems Holdings Inc. for a total of 12.5 million US Dollars. On the same date, Delta Systems & Automation Inc. was absorbed by Delta Systems & Automation Llc, a newly formed company of Packaging Systems Holdings Inc.;
- on 4 February 2019, Transworld Packaging Holding S.p.A. acquired 100% of the Swiss company Luna Investment SA, based in Lugano with share capital of 100 thousand CHF, for 2,033 thousand euros. The company has as its object to purchase, hold, manage and sell equity investments;
- on 11 February 2019, IMA Packaging India Pvt. Ltd. was set up, with head office in Thane (India) and share capital of 10 million INR, 100% owned by IMA S.p.A. It is a trading company deals with a commercial activity;
- on 11 April 2019, IMA completed the closing of the acquisition of 61.45% of Tecmar S.A., based in Mar del Plata (Argentina), an important player in the South American market in the design, production and marketing of automatic packaging machines in the coffee and food sectors. IMA has also signed put & call options on the other 38.55%. The cost of the acquisition of 3,928 thousand euros includes the amount paid of 1,691 thousand euros and the fair value of payables related to options of 2,237 thousand euros;
- on 16 April 2019, IMA completed the closing for the purchase of 70% of Spreafico Automation S.r.l.; the company, based in Calolziocorte (LC), is an important player in the design, production and marketing of automatic machines for filling and preparing capsules for coffee and other soluble products. IMA has also been granted a purchase option for the other 30% of the company. The cost of the acquisition of 21,603 thousand euros includes the amount paid of 12,351 thousand euros and the potential consideration equal to 9,252 thousand euros, as commented in Note 30 Business combinations;
- on 19 June 2019 IMA acquired a further 50% of CMRE S.r.l., a real estate company based in Bologna, from related parties for 5,000 thousand euros, bringing its total interest in the company to 100%;
- on 2 July 2019, IMA completed the closing for the purchase of 56.1% of ATOPbi S.p.A. and 16% of Stator S.p.A. As a result of this agreement, IMA, which has been a shareholder of ATOPbi S.p.A. since 2017, now has a total interest in the company of around 81.1%. Following this transaction, IMA S.p.A. indirectly held approximately 84% of ATOP S.p.A., a company based in Barberino Tavarnelle (FI) and a market leader in automatic machines and lines for the production of stators and rotors used in electric motors for the automotive sector. Subsequently, in December 2019, as a consequence of the absorption of Stator S.p.A. by ATOP S.p.A. and the reverse merger of ATOPbi S.p.A. with ATOP S.p.A., effective from 1 January 2019, at the reporting date, IMA holds 84.165% of ATOP S.p.A.; put & call options were also taken out on the shares reinvested by the founding shareholders for a total of 6.8% of the capital, to be exercised after the date of approval of the financial statements at 31 December 2021. As regards details about the cost of acquisition and the fair value of the option subscribed, please refer to Note 30 Business combinations;
- on 26 July 2019 Tissue Machinery Company S.p.A. completed the acquisition of 80% of the share capital of Spares & More S.r.l., based in Gallicano (LU) and active in the sector of industrial overhaul and reconditioning of used machines. On 31 July 2019 Spares & More S.r.l. subscribed an increase of capital of 100 thousand euros, approved by Claren Cutting Service S.r.l., based in Calderara di Reno (BO) and active in the supply of compatible spare parts for tissue machines, resolved following the complete cancellation of Claren's share capital. The interest that Spares & More S.r.l. has in Claren Cutting Service S.r.l. is therefore 100%;
- on 7 August 2019, IMA acquired 60% of Perfect Pack S.r.l., based in Rimini, an important player in the design, production and marketing of automatic enveloping machines and complete lines for

single-dose packs for various different markets: pharmaceutical, cosmetic, nutraceutical and chemical. A put option was also granted on the other 40% of the company. The total cost of the acquisition amounts to 26,400 thousand euros, commented in detail in Note 30 Business combinations;

- on 1 October 2019 GIMA S.p.A. and Eurosicma S.p.A. purchased from third parties 10% of Dreamer S.r.l. for 83 thousand euros and 30% of O.A.SYS. S.r.l. for 228 thousand euros, respectively, thereby reaching 100% of the share capital of the companies. It should also be noted that O.A.SYS. S.r.l. will be absorbed by Eurosicma S.p.A. with effect from 1 January 2020, whereas Dreamer S.r.l. has been put into liquidation;
- on 2 December 2019, the Chinese company ATOP (Shanghai) Electrical Equipment Co. Ltd. was set up, with registered office in Shanghai and share capital of 200,000 euros, held 100% by ATOP S.p.A., which organises technical assistance for the Chinese market.

See Note 30 “Business combinations” for further information.

Merger for the absorption of GIMA TT S.p.A. by the parent company IMA S.p.A.

On 11 June 2019 the Boards of Directors of IMA S.p.A. and GIMA TT S.p.A. approved the merger plan for the absorption of GIMA TT S.p.A. by IMA S.p.A. The merger also received the favourable opinion of the committee consisting solely of unrelated independent directors of GIMA TT S.p.A. in accordance with the provisions of the related party procedure of GIMA TT S.p.A.

The merger was carried out for the following purposes: (i) to create a company with a higher free float, both in terms of percentage of capital and in absolute value, with shares that are easier to trade and more attractive to investors; (ii) to reduce operating costs for the maintenance of two listed companies and simplify the shareholding structure and the corporate governance structure, thereby generating synergies for the benefit of all shareholders; and (iii) to allow management to devote itself fully to operational management of the “Tobacco” division, minimizing elements of distraction attributable to the volatility that has occurred in the sector, which was not foreseeable at the time that GIMA TT S.p.A. was listed in 2017.

To identify the economic elements of the merger, the Boards of Directors of the companies participating in the merger, with the help of financial advisors of proven professionalism and experience, have applied valuation methods commonly used for mergers between companies with characteristics similar to those of IMA S.p.A. and GIMA TT S.p.A.. The exchange ratio is based on assessments of the companies resulting from the application of various methods according to best national and international market practices. The merger plan was prepared on the basis of the financial statements at 31 December 2018 of the companies participating in the merger, approved by their respective ordinary shareholders’ meetings on 30 April 2019 and used as merger balance sheets for the purposes of art. 2501-quater of the Italian Civil Code.

On 14 June 2019, the President of the Bologna Business Tribunal, in the section that specialises in company law, appointed EY S.p.A., chosen by both IMA S.p.A. and GIMA TT S.p.A., as the joint expert to draw up the report on the fairness of the exchange ratio. Their report said that the methods used to calculate the exchange ratio were suitable.

The Extraordinary Shareholders’ Meetings of IMA S.p.A. and GIMA TT S.p.A. approved the merger plan by absorption on 8 August 2019.

Subsequently, on 31 October 2019 IMA S.p.A. and GIMA TT S.p.A. signed the merger deed, which was registered with the Bologna Companies Register on the same date.

The procedure was therefore successfully concluded and the merger took effect from 5 November 2019 (Effective Date), with the consequent termination of GIMA TT S.p.A.. On the other hand, the accounting and tax effects of the merger were backdated to 1 January 2019, in line with the fact that, in this transaction, control over the merged company’s activities does not change, but goes from indirect to direct control. The reverse merger in question qualifies as a combination of companies under common control. This transaction only generated impacts on the consolidated financial statements with reference to relations with minority shareholders, in compliance with the provisions of IFRS 10.

On the Effective Date, IMA S.p.A. increased its share capital by a total nominal amount of 2,055,304.68 euros by issuing 3,952,509 shares to service the share exchange at a ratio of 11.4 ordinary shares of IMA with a par value of 0.52 euros each for every 100 ordinary shares of GIMA TT S.p.A. In application of this exchange ratio, GIMA TT S.p.A. shareholders, other than IMA, were assigned 3,952,509 new ordinary shares of IMA, with the same dividend date and characteristics as the IMA ordinary shares already in circulation on the Effective Date. Their holders were also granted the same rights as those due to holders of the ordinary shares of IMA in circulation at the time of the assignment. These newly issued shares were listed on the Electronic Stock Market organised and managed by Borsa Italiana S.p.A. (MTA).

Since the Effective Date, the share capital of IMA S.p.A. has therefore had a nominal amount of 22,470,504.68 euros, divided into 43,212,509 ordinary shares with a par value of 0.52 euros each, listed on the MTA.

The IMA shares assigned to serve the merger were made available to GIMA TT S.p.A. shareholders starting from the Effective Date through the depositary intermediaries belonging to Monte Titoli S.p.A. (Appointed Intermediaries). On that date, the ordinary shares representing the entire share capital of GIMA TT S.p.A. were cancelled and delisted from the MTA.

The Merger Deed is available to the public on the websites www.ima.it and www.gimatt.it.

Merger plan for the absorption of GIMA S.p.A., G.S. Coating Technologies S.r.l., Mapster S.r.l. and Revisioni Industriali S.r.l. by the parent company IMA S.p.A.

In June 2019, the plans for IMA S.p.A. to absorb its direct or indirect subsidiaries GIMA S.p.A., G.S. Coating Technologies S.r.l., Mapster S.r.l. and Revisioni Industriali S.r.l. were filed with the local Companies Register. These mergers, in a simplified form and, therefore without a share exchange, without an increase in capital and without any change in the articles of association of the merging company, have been implemented on the basis of their respective financial statements at 31 December 2018.

The merger resolutions were approved by the Board of Directors of IMA S.p.A. and by the Shareholders' Meetings of the companies being merged.

These mergers were completed in December 2019, with effect from 1 January 2020.

G) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The changes reported below have been calculated on figures at 31 December 2018 for balance sheet items and on figures for the year 2018 for income statement items. The figures relating to increases in non-current assets for internal work, previously included under Other revenue, were shown separately under Capitalized costs in the consolidated income statement.

1. Segment information

Operating segments have been identified based on the internal reports used by senior management to allocate resources and evaluate the results of each business. The Group's activities comprise the following operating segments:

Tea, Food & Other

It produces plants for the processing of coffee, machines for the packaging of tea and herbal teas in filter bags and the packaging of coffee, for the food & beverage sector, for the personal care sector, for end-of-line equipment, for the dairy sector and for stock cubes and for primary packaging in the food sector with the use of flexible material (horizontal and vertical flow packs) for assembling medical products, for the tissue segment and the production of electric motors, plus related services.

Operations in this sector are mainly carried out by these companies:

- IMA S.p.A. manufactures:
  - machines for the packaging of tea and herbs in filter bags and the packaging of coffee in pods, through the Tea & Herbs Division;
  - end-of-line machines through the BFB Division;
  - pouch-filling machines through the Flex Pack Division;
- ATOP S.p.A. produces machines and automatic lines for manufacturing electric motors and rotors for the automotive sector;
- Benhil GmbH and Hassia Packaging Pvt. Ltd. produce machines for forming, filling and sealing, for containers and sticks, for ultraclean closure and wrapping machines;
- Ciemme S.r.l. produces automatic end-of-line cartoning machines and systems;
- Corazza S.p.A. produces machines and plant for the dosing and packaging of cheese portions and stock cubes;
- Eurosicma S.p.A. and Eurotekna S.r.l. manufacture machines and systems for horizontal flowpack and fold packaging for the food and cosmetics industries;
- GIMA S.p.A. produces machines for the coffee, food & beverage and personal care sectors;
- Ilapak International SA, Ilapak Italia S.p.A., Ilapak (Beijing) Packaging Machinery and Delta Systems & Automation Llc. produce automated machines and lines for flexible food and non-food packaging, using horizontal and vertical packaging technologies;
- IMA MAI S.A. manufactures machines for the packaging of tea and herbal teas in filter bags;
- IMA Medtech Switzerland SA, IMA Automation USA Inc. and IMA Automation Malaysia Sdn. Bhd. manufacture machines for assembling medical products for self-medication, such as inhalers, insulin syringes and injection systems;
- Mapster S.r.l. manufactures automatic machines for the filling and packaging of single-serve coffee capsules;
- Petroncini Impianti S.p.A. designs, manufactures, installs and operates complete plants for the processing of coffee and related food products;
- Revisioni Industriali S.r.l. refurbishes second-hand machines for processed cheese and tea and herbs in filter bags;
- Spreafico Automation S.r.l. produces machines for filling and packaging coffee capsules;
- Tecmar S.A. produces packaging machines for the coffee and food sectors;
- Teknoweb Converting S.r.l. produces machines for the production of wet wipes (converting sector);
- Telerobot S.p.A. manufactures machinery for the assembly of plastic materials in the caps and closures sector;
- Tissue Machinery Company S.p.A. and Valley Tissue Packaging Inc. produce automatic machines for the packaging and management of tissue and personal care products.

Pharmaceutical

Machines for the packaging of pharmaceutical capsules and tablets in blisters and bottles, machines for filling bottles and vials with liquid and powdered products in sterile and non-sterile environments, machines for freeze-drying, tube-filling and cartoning, systems for the production of tablets and capsules and for coating and granulation, as well as related services.

Operations in this sector are mainly carried out by the following companies:

- IMA S.p.A. manufactures:
  - blister-pack machines, machines for the packaging of gelcaps, capsules and tablets and cartoning machines through IMA Safe division;

- machines for the filling of flacons and vials with liquid products and powders under sterile and non-sterile conditions and freeze-drying systems through IMA Life division;
- tablet pressing machines, capsule filling machines, coating and granulating machines, machines for the movement of powders and depowdering of tablets through the IMA Active division;

- CO.MA.DI.S. S.p.A. manufactures tube-filling machines for the pharmaceuticals, cosmetics, chemicals and food industries;
- G.S. Coating Technologies S.r.l. manufactures coating machines;
- IMA Life (Shanghai) Pharmaceutical Machinery Co. Ltd. produces filling systems under sterile conditions.
- IMA Life The Netherlands B.V., IMA Life North America Inc. and IMA Life (Beijing) Pharmaceutical Systems Co. Ltd. manufacture freeze-drying plants for the pharmaceutical industry;
- IMA-PG India Pvt Ltd. operates in the production of blister and cartoning machines, mainly for emerging nations;
- Swiftpack Ltd. and IMA North America Inc. manufacture machines for the bottling of capsules and tablets for the pharmaceutical industry;
- Perfect Pack S.r.l. produces automatic enveloping machines and complete lines for single-dose packs for various different markets: pharmaceutical, cosmetic, nutraceutical and chemical;
- Pharmasiena Service S.r.l. produces filling systems for phials and syringes under sterile conditions.

Tobacco packaging

It designs, manufactures and markets machines and plants for tobacco packaging and related services. Activities in this sector are carried out by the IMA T&T division of IMA S.p.A. As mentioned in the Scope of Consolidation section, GIMA TT S.p.A. was absorbed by IMA S.p.A. with effect for tax and accounting purposes from 1 January 2019, thereby giving rise to the Parent Company's IMA T&T division.

ANALYSIS BY BUSINESS SEGMENT

Information by business segment for 2019 and 2018 is shown below:

	2019				
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Not allocated(*)	Total
Revenue from contracts with customer	804,570	699,594	91,363	—	1,595,527
Segment operating profit	65,392	102,713	24,370	—	192,475
Net financial income (expense)(**)					36,578
Profit (loss) from investments accounted for using the equity method	(7,438)	3,022	—	(266)	(4,682)
Profit before taxes					224,371
Taxes					(54,728)
Net profit from continuing operations					169,643
Profit (loss) from discontinued operations/ disposal groups	—	—	—	—	—
Profit for the year					169,643

in thousands of euros	2018 Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Not allocated(*)	Total
Revenue from contracts with customer	686,170	631,269	182,932	—	1,500,371
Segment operating profit	38,906	99,024	72,127	—	210,057
Net financial income (expense)(**)					(538)
Profit (loss) from investments accounted for using the equity method	561	2,358	—	(500)	2,419
Profit before taxes					211,938
Taxes					(61,180)
Net profit from continuing operations					150,758
Profit (loss) from discontinued operations/ disposal groups	(26,165)	—	—	—	(26,165)
Profit for the year					124,593

(*) Not allocated amount relate to investments not directly attributable to the operating sectors.
(**) Financial income and expense have not been allocated to the individual operating segments as it is not possible to indicate specific amounts for each segment; this breakdown is not used in internal reporting.

The following table gives a breakdown of revenue by business segment, with changes in revenues over the corresponding period of 2018:

in thousands of euros	2019	2018	Change
Tea, Food & Other	804,570	686,170	118,400
Pharmaceutical	699,594	631,269	68,325
Tobacco packaging	91,363	182,932	(91,569)
Total	**1,595,527**	**1,500,371**	**95,156**

Consolidated revenue in 2019 amounted to 1,595,527 thousand euros, an overall increase of 6.3%, of which 1.2% due to the organic growth, with respect to the previous year. Revenue by segment is discussed below:

- the Tea, Food & Other sector recorded a 17.3% increase in revenue over the previous year, thanks to the contribution of the ATOP, Spreafico and Tecmar businesses (72,729 thousand euros), generally confirming the strong leadership position held by the Group in these niche markets;
- the Pharmaceutical sector shows a significant increase in revenue of 10.8% (+68,325 thousand euros) with the newly acquired Perfect Pack contributing 2,616 thousand euros;
- the Tobacco sector is showing a strong contraction (-50%) compared with the previous year, mainly because of the lower backlog at the beginning of the year.

No one third-party customer represents 10% or more of consolidated revenue.

The following table shows operating profit by segment:

in thousands of euros	2019	2018	Change
Tea, Food & Other	65,392	38,906	26,486
Pharmaceutical	102,713	99,024	3,689
Tobacco packaging	24,370	72,127	(47,757)
Total	**192,475**	**210,057**	**(17,582)**

The operating profit of the Tea, Food & Other sector amounted to 65,392 thousand euros (8.1% of revenue) compared with 38,906 thousand euros in 2018 (5.7% of revenue), after having deducted non-recurring charges of 2,178 thousand euros (6,346 thousand euros the previous year).

The Pharmaceutical sector posted a good increase in operating profit compared with the previous year, while the decrease in the Tobacco sector's operating profit reflects lower sales volumes.

The tables below provide other income statement information regarding Group operations by sector:

	2019			
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Amortization, depreciation, impairment and writedowns	56,249	22,994	1,723	80,966
Other non-monetary costs (revenues)	5,814	2,048	454	8,316

	2018			
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Amortization, depreciation, impairment and writedowns	30,266	12,411	894	43,571
Other non-monetary costs (revenues)	6,725	3,025	195	9,945

The increase in depreciation and amortisation in the various sectors mainly reflects the adoption of IFRS 16.

Capital expenditure by operating segment are as follows:

in thousands of euros	2019	2018	Change
Tea, Food & Other	444,930	188,991	255,939
Pharmaceuticals	77,315	19,430	57,885
Tobacco packaging	3,751	3,629	122
Total	**525,996**	**212,050**	**313,946**

See Note 30 as regards the allocation of the intangible assets recognized in 2019 in connection with the acquisition of ATOP S.p.A., Spreafico Automation S.r.l. and Tecmar S.A. for 396,715 thousand euros, attributable to the Tea, Food & Other sector, as well as Perfect Pack S.r.l. for 26,595 thousand euros attributable to the Pharmaceutical sector.

	31 December 2019				
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Non allocated(*)	Total
Segment operating assets	1,368,836	588,255	59,512	—	2,016,603
Investments accounted for using the equity method	4,602	16,805	—	4,670	26,077
Financial assets	3,419	3,094	—	61,490	68,003
Deferred tax assets					58,353
Income tax receivables					21,296
Cash and cash equivalents					110,699
Total assets					2,301,031

	31 December 2019				
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Non allocated	Total
Segment operating liabilities	457,583	379,217	28,507	—	865,307
Borrowings and lease liabilities					808,492
Deferred tax liabilities					108,827
Income tax liabilities and other provision for risks					13,525
Total liabilities					1,796,151

Balance sheet information at 31 December 2019 is shown below:

(*) Not allocated amount relate to investments and financial assets not directly attributable to the operating sectors.

Balance sheet information at 31 December 2018 is shown below:

in thousands of euros	31 December 2018				
	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Non allocated(*)	Total
Segment operating assets	790,372	457,096	89,866	—	1,337,334
Investments accounted for using the equity method	28,362	14,772	—	9,775	52,909
Financial assets	—	2,319	2,228	65,140	69,687
Deferred tax assets					49,226
Income tax receivables					9,810
Cash and cash equivalents					140,867
Total assets					1,659,833

in thousands of euros	31 December 2018				
	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Non allocated	Total
Segment operating liabilities	372,624	357,678	52,055	—	782,357
Borrowings					389,810
Deferred tax liabilities					58,789
Income tax liabilities and other provision for risks					7,943
Total liabilities					1,238,899

(*) Not allocated amount relate to investments and financial assets not directly attributable to the operating sectors.

Following the adoption of IFRS 15 in 2018, the Group has broken down the revenue from contracts with customers into categories that illustrate how economic factors affect the nature, amount, timing and degree of uncertainty of revenue and financial flows.

Both the information provided in the presentations to investors and the information periodically reviewed by the highest operational decision-making level were considered and therefore the breakdown of revenue subsequently presented in three categories was considered appropriate: geographical area, business segment and timing of recognition.

Analysis by geographical area

in thousands of euros	2019			
	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
European Union (excluding Italy)	222,508	197,105	31,707	451,320
Other European countries	75,912	28,552	4,594	109,058
North America	182,074	130,505	1,095	313,674
Asia & Middle East	144,146	171,741	38,808	354,695
Italy	92,382	85,599	14,854	192,835
Other countries	87,548	86,092	305	173,945
Total	804,570	699,594	91,363	1,595,527

in thousands of euros	2018			
	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
European Union (excluding Italy)	203,059	191,123	55,828	450,010
Other European countries	67,032	37,831	10,109	114,972
North America	153,024	88,097	6	241,127
Asia & Middle East	114,384	157,370	103,909	375,663
Italy	74,744	81,561	11,348	167,653
Other countries	73,927	75,287	1,732	150,946
Total	686,170	631,269	182,932	1,500,371

Revenue is allocated according to the geographical area of the invoiced customer.

The changes in the breakdown of revenue by geographical area are discussed below:

- revenue from European Union countries, excluding Italy, is growing in Spain, France, Ireland and Slovenia;
- sales in other European countries are slightly decreasing compared with the previous year, especially in Russia;
- North America is growing significantly in a context essentially without significant local competition;
- in Asia and the Middle East there was a slight decrease of 5.6%, but this confirms the importance of this market, which regularly accounts for more than 20% of Group sales. The progress in local economies is generating an improvement in production standards closer to those of the West and as a consequence a demand for machinery more in line with what we can offer. In particular, there has been growth in China and a decrease in Japan;
- revenue from other countries reflects a variety of trends with growth in Brazil, Mexico, Algeria and Morocco;
- the growth in Italy was due to the higher number of projects with respect to the prior year. These fluctuations recur annually since revenue depends on the level of investment projects of the pharmaceutical companies, which is inevitably unstable in a market like Italy.

Non-current assets other than unallocated financial instruments and deferred tax assets of the IMA Group analyzed by geographical area are as follows:

in thousands of euros	31.12.2019	31.12.2018
Italy	989,349	449,699
European Union (excluding Italy)	68,078	62,004
Other European countries	58,323	38,055
North America	58,069	43,673
Asia & Middle East	35,079	24,349
Other countries	14,850	10,038
Total	**1,223,748**	**627,818**

Operations are allocated to the geographical areas in which they are located. The increase in Italy mainly reflects the acquisition of ATOP S.p.A., Perfect Pack S.r.l. and Spreafico Automation S.r.l.

Revenue by business category

in thousands of euros	2019 Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Original Equipment	595,222	476,966	50,733	1,122,921
After-Sales	209,348	222,628	40,630	472,606
Total	804,570	699,594	91,363	1,595,527

in thousands of euros	2018 Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Original Equipment	509,028	412,623	119,988	1,041,639
After-Sales	177,142	218,646	62,944	458,732
Total	686,170	631,269	182,932	1,500,371

Original equipment substantially refers to machines and contract work, while the after-sales item consists of post-sales activities such as technical assistance, spare parts and kits.

Revenue by timing of recognition

in thousands of euros	2019 Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Revenue at a point in time	392,652	280,133	35,105	707,890
Revenue over time	411,918	419,461	56,258	887,637
Total	804,570	699,594	91,363	1,595,527

in thousands of euros	2018 Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Revenue at a point in time	396,685	278,332	60,708	735,725
Revenue over time	289,485	352,937	122,224	764,646
Total	686,170	631,269	182,932	1,500,371

Contract work and part of the technical assistance, commissioning services in particular, are obligations to be fulfilled over time.

The machines, kits, spare parts and other materials and the after-sales technical assistance represent obligations to fulfil at a point in time.

The following table shows the size of the backlog at the end of the year:

in thousands of euros	
Tea, Food & Other	326,344
Pharmaceutical	528,745
Tobacco packaging	53,960
Total	**909,049**

It is expected that approximately 88.5% of orders not yet processed at 31 December 2019 will be fulfilled in the next financial year.

2. Property, plant and equipment and right of use assets

Property, plant and equipment

The changes during the year were as follows:

in thousands of euros	Land and Building	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
Balances at 01.01.2018						
Gross amount	92,230	62,730	35,124	42,879	3,255	236,218
Accumulated depreciation and write-downs	(34,477)	(45,556)	(29,399)	(31,694)	—	(141,126)
Balances at 01.01.2018	**57,753**	**17,174**	**5,725**	**11,185**	**3,255**	**95,092**
Monetary revaluation for hiperinflation	—	497	—	5	—	502
Additions	16,116	9,077	1,750	5,132	3,588	35,663
Sales and eliminations	(12)	(391)	(65)	(102)	—	(570)
Sale of 60% of IMA D&F	(5,107)	(1,891)	(1,412)	(746)	(231)	(9,387)
Change in scope of consolidation	2,526	678	861	855	—	4,920
Depreciation	(5,193)	(4,347)	(1,948)	(3,518)	—	(15,006)
Reclassifications and other changes	233	1,219	97	29	(934)	644
Exchange rate difference	244	(216)	3	(8)	9	32
Balances at 31.12.2018	**66,560**	**21,800**	**5,011**	**12,832**	**5,687**	**111,890**
Balances at 01.01.2019						
Gross amount	97,340	70,896	33,521	44,390	5,687	251,834
Accumulated depreciation and write-downs	(30,780)	(49,096)	(28,510)	(31,558)	—	(139,944)
Balances at 01.01.2019	**66,560**	**21,800**	**5,011**	**12,832**	**5,687**	**111,890**
Reclassifications for adoption of IFRS 16	(40,723)	(20)	—	(605)	(326)	(41,674)
Monetary revaluation for hiperinflation	—	290	—	26	—	316
Additions	6,937	5,283	1,846	4,686	6,614	25,366
Sales and eliminations	(4)	(405)	(5)	(105)	(3)	(522)
Change in scope of consolidation	10,706	1,688	325	736	256	13,711
Depreciation	(1,198)	(5,273)	(2,138)	(4,052)	—	(12,661)
Reclassifications and other changes	3,969	927	560	146	(1,808)	3,794
Exchange rate difference	128	(215)	7	43	9	(28)
Balances at 31.12.2019	**46,375**	**24,075**	**5,606**	**13,707**	**10,429**	**100,192**
Gross amount	54,614	78,536	36,997	48,051	10,429	228,627
Accumulated depreciation and write-downs	(8,239)	(54,461)	(31,391)	(34,344)	—	(128,435)
Balances at 31.12.2019	**46,375**	**24,075**	**5,606**	**13,707**	**10,429**	**100,192**

Land and buildings refer to the following Group companies:

	Land		Buildings	
in thousands of euros	31.12.2019	31.12.2018	31.12.2019	31.12.2018
IMA S.p.A.	2,591	2,299	1,528	2,897
ATOP S.p.A.	151	—	10,420	—
Ciemme S.r.l.	780	780	4,150	1,581
Delta Systems & Automation Inc.	1,231	1,208	4,962	5,036
GIMA S.p.A.	573	2,556	1,397	8,154
Hassia Packaging Pvt. Ltd.	43	43	559	591
Ilapak Inc.	169	166	888	928
Ilapak Italia S.p.A.	763	763	3,492	1,660
Ilapak Sp. Z o.o.	450	445	853	873
Ilapak Verpackungsmaschinen GmbH	115	115	480	496
IMA France Eurl	183	183	355	374
IMA-PG India Pvt. Ltd.	1,968	1,980	1,612	1,319
Societàdel Sole S.r.l.	2,977	2,977	—	—
Tissue Machinery Company S.p.A.	728	—	2,669	—
Other	89	31	199	209
Total	**12,811**	**13,546**	**33,564**	**24,118**

During the year, the subsidiary Tissue Machinery Company S.p.A. acquired the plant in Castel Guelfo (BO), previously rented, for 3,437 thousand euros and Ilapak Italia S.p.A. completed the construction of its new plant in Foiano della Chiana (AR).

Other additions for the period mainly relate to costs incurred to extend and upgrade buildings and the purchase of plant, machinery and electronic machines.

The change in the scope of consolidation reflects the acquisitions during the period as commented on in Note 30. The reclassifications and other changes essentially refer to the Krakow (Poland) factory of Ilapak Sp. Z o.o. and Ciemme S.r.l.

The “Currency revaluation due to hyperinflation” relates to the Argentine subsidiaries IMA MAI S.A. and Tecmar S.A.

“Other assets” comprise:

in thousands of euros	31.12.2019	31.12.2018
Electronic office machines	8,422	7,210
Office furniture and fittings	2,941	2,828
Vehicles	1,630	1,996
Other	714	798
Total	**13,707**	**12,832**

Assets under construction and advances mainly include equipment and machinery under construction.

Financial charges directly attributable to property, plant and equipment are generally recognized in the income statement because the Group does not have any assets that normally take a substantial period of time to make ready for use.

Mortgages have been granted on the properties of Castel Guelfo (BO) and Barberino Tavarnelle (FI), owned by Tissue Machinery Company S.p.A. and ATOP S.p.A., against loans as commented in Note 15.

There are no internal or external elements to suggest that assets have suffered an impairment in value.

Right of use assets

The following table provides details of the right of use assets and related changes during the period:

in thousands of euros	Land and Building	Plant and machinery	Industrial & comm. equipment	Other assets	Assets under construction	Total
Balances at 01.01.2019	**137,327**	**—**	**25**	**4,360**	**—**	**141,712**
Reclassifications for adoption of IFRS 16	40,723	20	—	605	326	41,674
Monetary revaluation for hiperinflation	177	—	—	—	—	177
Additions	26,847	395	36	2,950	7,356	37,584
Decreases	(3,748)	—	—	(212)	—	(3,960)
Change in scope of consolidation	14,091	728	—	270	6,828	21,917
Depreciation	(23,493)	(70)	(22)	(2,270)	—	(25,855)
Reclassifications	(708)	(12)	—	—	(184)	(904)
Exchange rate difference	421	—	—	24	2	447
Balances at 31.12.2019	**191,637**	**1,061**	**39**	**5,727**	**14,328**	**212,792**
Gross amount	240,269	1,415	75	8,412	14,328	264,499
Accumulated depreciation	(48,632)	(354)	(36)	(2,685)	—	(51,707)
Balances at 31.12.2019	**191,637**	**1,061**	**39**	**5,727**	**14,328**	212,792

In April 2019 IMA S.p.A. signed a contract concerning the lease of a building with a surface area of approximately 32,600 square metres, located in Castel San Pietro Terme (Bologna). As required by IFRS 16, this contract led to the recognition of ROUs for 13,473 thousand euros in 2019.

The other assets are essentially cars and assets under construction are mainly attributable to CMRE S.r.l.'s building complex under construction in Ozzano dell'Emilia (BO).

As regards the accounting impact of FTA of IFRS 16, please refer to the comments in the section entitled "Implementation of accounting standards".

It should be noted that in the consolidated financial statements at 31 December 2018, property, plant and equipment included the contractual value of assets held under finance leases and presented in accordance with IAS 17, which was in force until 31 December 2018. From 1 January 2019, the balances outstanding at 31 December 2018 of 12,452 thousand euros were reclassified to assets for rights of use, in accordance with IFRS 16. In addition, 29,222 thousand euros of leasehold improvements have been reclassified.

For further information on lease liabilities, see Note 15.

In the income statement for 2019, the FTA of IFRS 16 led to the elimination of operating lease payments for 23,170 thousand euros and recognition of depreciation on the right-of-use assets and interest expense on the lease liabilities, as reported below:

in thousands of euros	2019
Depreciation of right of use assets	21,024
Short-term or low-value lease fees	4,591
Interest expense on lease liabilities	4,208
Amounts recognized in PL	**29,823**

The lease instalments relating to contracts excluded from IFRS 16 refer to short-term leases for property, plant and equipment and/or leases involving low-value assets, classified in the costs for services, rentals and leases for 3,262 thousand euros and personnel costs for 1,329 thousand euros.

Leases attributable to intangible assets, on the other hand, are not included.

3. Intangible assets

The changes during the year break down as follows:

in thousands of euros	Development costs	Industrial patent rights	Software licences, trademarks and similar	Goodwill	Assets under dev. and advances	Total
Balances at 01.01.2018						
Gross amount	202,060	25,287	134,680	191,639	12,587	566,253
Accumulated amortization and write-downs	(112,115)	(19,740)	(72,236)	—	—	(204,091)
Balances at 01.01.2018	**89,945**	**5,547**	**62,444**	**191,639**	**12,587**	**362,162**
Monetary revaluation for hiperinflation	—	19	1	—	—	20
Additions	4,645	1,705	5,941	—	9,771	22,062
Sales and eliminations	—	(242)	(1)	—	—	(243)
Sale of 60% of IMA D&F	(32,727)	—	(34,255)	(1,745)	(980)	(69,707)
Changes in scope of consolidation	3,006	250	1,229	—	—	4,485
Acquisition of business divisions/ companies	35,448	—	67,932	50,945	—	154,325
Amortization	(17,160)	(1,781)	(9,624)	—	—	(28,565)
Reclassifications and other changes	22,911	48	9,413	(18,768)	(4,546)	9,058
Exchange rate difference	(3)	(12)	11	303	84	383
Balances at 31.12.2018	**106,065**	**5,534**	**103,091**	**222,374**	**16,916**	**453,980**
Balances at 01.01.2019						
Gross amount	220,315	27,204	173,618	222,374	16,916	660,427
Accumulated amortization and write-downs	(114,250)	(21,670)	(70,527)	—	—	(206,447)
Balances at 01.01.2019	**106,065**	**5,534**	**103,091**	**222,374**	**16,916**	**453,980**
Monetary revaluation for hiperinflation	—	11	6	—	—	17
Additions	5,228	2,702	5,376	—	19,619	32,925
Sales and eliminations	—	(125)	(2)	—	—	(127)
Changes in scope of consolidation	1,588	488	204	—	—	2,280
Acquisition of ATOP S.p.A.	45,263	—	83,588	239,761	—	368,612
Acquisition of Perfect Pack S.r.l.	5,037	—	9,150	12,408	—	26,595
Acquisition of Spreafico S.r.l.	18,355	—	4,989	695		24,039
Acquisition of Tecmar S.A.	2,061	—	966	1,037		4,064
Acquisition of Spare & More and Claren	—	—	2,644	1,227	—	3,871
Acquisition of other companies	—	—	—	2,940	—	2,940
Amortization	(24,626)	(2,002)	(15,725)	—	—	(42,353)
Write downs/impairment	—	—	(97)	—	—	(97)
Reclassifications and other changes	5,192	100	66	(2,240)	(5,384)	(2,266)
Exchange rate difference	42	(8)	10	218	84	346
Balances at 31.12.2019	**164,205**	**6,700**	**194,266**	**478,420**	**31,235**	**874,826**
Gross amount	311,291	33,873	281,703	478,420	31,235	1,136,522
Accumulated amortization and write-downs	(147,086)	(27,173)	(87,437)	—	—	(261,696)
Balances at 31.12.2019	**164,205**	**6,700**	**194,266**	**478,420**	**31,235**	**874,826**

Development costs include the costs incurred for unpatented technology, the useful life of which has been estimated to be between 5 and 13 years and is attributable to the following acquisitions:

in thousands of euros	Year of acquisition	31.12.2019	31.12.2018
ATOP S.p.A.	2019	42,926	—
Spreafico Automation S.r.l.	2019	16,978	—
Perfect Pack S.r.l.	2019	4,827	—
Tecmar S.A.	2019	1,906	—
Ciemme S.r.l.	2018	4,087	4,568
Gruppo TMC	2018	21,617	24,211
Petroncini Impianti S.p.A.	2018	6,357	7,128
Eurosicma S.p.A.	2017	14,741	16,583
Benhil GmbH and Hassia Packaging Pvt. Ltd.	2015	6,923	8,263
Ilapak Group	2013	6,013	7,692
Dairy&Convenience Food business of Corazza Group	2011	1,925	3,706

In addition, this caption includes costs of 9,188 thousand euros incurred by the Parent Company on projects related to the Pharmaceutical sector, 7,269 thousand euros on project development for the Tea, Food & Other sector and 2,556 thousand euros on projects relating to the Tobacco sector.

As also mentioned in the report on operations, research and development costs that do not meet the requirements for capitalization were charged to profit and loss for an amount of 53,946 thousand euros (55,314 thousand euros in the previous period).

Industrial patents and intellectual property rights include costs incurred for the acquisition of rights deriving from applications for industrial patents, stated net of related amortisation. The increase is primarily due to the expenses incurred for the extension and maintenance of patents in other countries, as well as the purchase of patents for 920 thousand euros relating to machines for the production of filter bags with infusion products.

Software, licences, trademarks and other rights mainly include applications, management and technical software and intangible assets related to customers ("customer list") and trademarks for 126,147 thousand euros and 55,037 thousand euros respectively, recognized following the acquisitions of ATOP, Perfect Pack, Spreafico, Eurosicma, Ilapak, TMC, Petroncini and Ciemme.

The increases during the year principally related to acquisition by the Parent Company of software and licenses relating to the commercial, marketing, administrative, logistics and technical areas.

Goodwill comprises the following:

in thousands of euros	31.12.2019	31.12.2018
Tea, Food & Other:		
CGU ATOP	239,761	—
CGU Automation	16,442	16,442
CGU Coffee	12,457	11,025
CGU Food & Dairy	41,835	41,835
CGU Flex Pack	38,460	38,110
CGU Tea	16,904	16,904
CGU Tissue	37,628	36,623
	403,487	**160,939**
Pharmaceutical:		
CGU Active	12,505	12,505
CGU Life	27,467	27,455
CGU Safe	34,961	21,475
	74,933	**61,435**
Total	**478,420**	**222,374**

In consideration of the important growth of the IMA Group, dictated by a strong inorganic component in recent years, which has led to a significant increase in terms of size and the number of companies included in the scope of consolidation, also reflected in the increased granularity of financial reporting, in a steady decline in the individual company's contribution to the Group result and in the adoption of strategies that tend to shift from the individual companies to the Division that aggregates them, it was decided to change the structure of the CGUs to follow this logic of aggregation. This change reflects the fact that monitoring for internal management purposes, which was previously handled in a more independent manner by each company, since 2019 now takes place Division by Division, using the same approach for them all. So, from this Annual Report, management has identified new "CGU Groups" which represent the new minimum unit for monitoring goodwill. This revision of the CGUs complies with the accounting standards and the guidelines laid down in the OIV's discussion paper, Exposure Draft 2019, also through the assistance of an external consultant, and was approved by the Board of Directors on 12 March 2020.

As regards the goodwill recognized on the acquisitions of ATOP, CMRE, Luna Investment, Spares & More and Claren, Spreafico, Tecmar and Perfect Pack, please refer to the comments in Note 30.

As mentioned in the section on "Accounting policies", goodwill, which is an intangible asset with an indefinite useful life, is tested for impairment. The main assumptions, methods and parameters used in impairment testing are set out below.

The goodwill paid when acquiring companies, firms or business divisions is allocated to the cash generating units (CGUs) of the Group as represented by the individual divisions and/or business units to which they relate. Even if such companies had merged into the acquiring company after the acquisition and had thus lost their legal status, the Group organization into divisions makes it possible to identify the assets and the cash flows of said CGUs, and to check whether allocated goodwill is recoverable through the impairment test. The recoverable value of the CGUs to which goodwill is allocated is tested by determining their value in use, as represented by the present value of expected cash flows discounted using a rate that reflects the risks specific to each CGU at the measurement date.

The formulas used to test impairment and to calculate the terminal value are as follows:

$$V = \frac{\sum_{i=1}^{n} FCF_i}{(1+WACC)_i} + TV$$

$$TV = \frac{FCF_n * (1+g)}{WACC - g}$$

FCF = Free Cash Flow, or cash flow produced from managing the operations

WACC = Weighted Average Cost of Capital

N = Number of years in the discount period

TV = Terminal Value, i.e. the current value of the cash flows generated after the end of the discount period

FCFn = Free Cash Flow sustainable after the end of the discount period

g = Growth rate of the business beyond the assumed period of the plan

Management has assumed an explicit forecast period of 3 years for all CGUs, except the ATOP CGU for which it is 5 years. At the end of the explicit forecast period (2022, or 2024 for the ATOP CGU), a "normalized flow" is also calculated in order to estimate the terminal value.

The CGU's weighted average cost of capital (WACC) is used as the discounting rate, as determined from a detailed analysis of the capital structure of each CGU.

The Capital Asset Pricing Model is used. This mathematical model determines the rate by summing the returns from a risk-free asset with the market risk premium. In turn, the market risk premium is found by multiplying the market average risk by the beta for the specific sector. The principal assumptions underlying the application of this method involved estimating the future increases in sales, the gross margin, operating costs, the rate of growth of terminal values, capital investment, operating capital and the weighted-average cost of capital (discount rate).

The cash flows are estimated on the basis of the 2020 budget (approved by the Board of Directors on 12 March 2020) and the 2021-2022 business plan (already discussed at a Board meeting); they are then discounted at rates that reflect current market valuations of the cost of capital taking account of the specific risk profile of each CGU.

The growth rate g used is zero for the sake of prudence, with the exception of the ATOP CGU where it is equal to 1 due to the significant growth expected for the E-traction market. This means that any sensitivity analysis, designed to measure the change in results on a change in the assumptions used for the growth rate, including changes in the other parameters contributing to the formation of WACC, would result in better impairment results.

With reference to the values of goodwill at 31 December 2019, the impairment test procedures, applied on the basis of the methodologies and assumptions described above, found the carrying amounts to be fully recoverable. Given the current situation of market volatility and uncertainty about future economic prospects, sensitivity analyses were carried out on the recoverable value of goodwill. In particular, a sensitivity analysis was performed on the recoverable value of the individual CGUs, assuming an increase of one percentage point in the component of the discount rate represented by the market risk premium. These sensitivity analyses confirmed the full recoverability of goodwill.

The table shows the detailed growth assumptions used in the forecasts and the discount rates applied in the impairment procedures:

	Goodwill	Average weighted cost of capital employed WACC %	CAGR 2020-2022 Sales %
CGU ATOP(*)	239,761	6.17	18.6
CGU Automation	16,442	5.24	2.2
CGU Coffee	12,457	6.17	5.3
CGU Food & Dairy	41,835	6.17	3.4
CGU Flex Pack	38,460	6.14	2.7
CGU Tea	16,904	6.17	2.8
CGU Tissue	37,628	6.17	3.4
CGU Active	12,505	6.17	4.0
CGU Life	27,467	6.23	1.5
CGU Safe	34,961	6.17	2.0

(*) The CAGR of the ATOP CGU refers to the period 2020-2024.

Management has formalised separate impairment tests, indicating:

- the object and reasons for the Group's acquisition;
- identification of the intangibles and their allocation to the CGU;
- the business plan of the CGU;
- the definition of recoverable value.

The assumptions used in calculating the impairment included in the business plan of each CGU and the results achieved have been approved by the Board of Directors of IMA S.p.A., independently and prior to these financial statements.

The impairment tests of goodwill conducted in accordance with IAS 36 did not lead to any writedowns. This monitoring was carried out on the basis of the new aggregation of CGUs, considered to be 1st level, and on the basis of the previous aggregation, considered to be 2nd level.

In addition, during prior years, the amounts of goodwill of the Nova Group (Safe CGU), Zanchetta and ICO OLEODINAMICI (Active CGU) were written down by 757 thousand euros, 2,500 thousand euros and 1,500 thousand euros, respectively.

Assets under development and advances mainly relate to the capitalization of development costs incurred by the Parent Company (20,282 thousand euros), GIMA S.p.A. (2,341 thousand euros) and Tissue Machinery Company S.p.A. (1,323 thousand euros) and concern new products that were not previously available and are targeted at new market segments. Assets under development have been tested for impairment, but no adjustments emerged.

4. Investments accounted for using the equity method

Below is a breakdown:

in thousands of euros	31.12.2019	31.12.2018
Associates:		
Amherst Stainless Fabrication LLC	422	356
APM Assembly Packaging Machinery S.r.l.	360	—
ATOPbi S.p.A.	—	16,322
B.C. S.r.l.	3,254	2,992
Bacciottini F.lli S.r.l.	876	852
Bolognesi S.r.l.	1,254	1,139
Doo Officina-Game East Vrsac	380	341
I.E.M.A. S.r.l.	1,794	1,498
IMA Dairy & Food Holding GmbH	4,560	12,000
Inkbit LLC	1,810	2,110
LA.CO S.r.l.	533	508
Logimatic S.r.l.	1,190	941
Meccanica Sarti S.r.l.	1,254	1,214
MORC 2 S.r.l.	1,784	1,696
OLTRE S.r.l.	250	—
O.M.S. Officina Meccanica di Sonico S.r.l.	1,102	1,040
RO.SI S.r.l.	286	347
SIL.MAC. S.r.l.	1,588	1,055
Talea S.r.l.	212	211
Sirio S.p.A. Associazione in partecipazione	2,648	3,298
Other associates	520	833
	26,077	**48,753**
Joint venture:		
CMRE S.r.l.	—	4,156
	—	**4,156**
Total	**26,077**	**52,909**

In relation to ATOPbi S.p.A. and CMRE S.r.l., refer to the comments in section “Scope of consolidation”.

At the reporting date, the Group assessed whether there was any evidence that investments in associated companies had suffered an impairment loss. In this case, the Group calculated the amount of the impairment as the difference between the recoverable value of the associated company and their carrying value in its financial statements, recognizing this difference in the income statement. An impairment loss was recorded for the associated company IMA Dairy & Food, held 40% by the Parent Company, for an amount equal to 7,440 thousand euros.

The summary data was prepared using the financial statements at 31 December 2018 of the Italian associated companies prepared in accordance with the national accounting standards; on the basis of analyses, the adjustments to align these financial statements with international accounting standards would not have led to significant differences.

The Group does not have any associated companies that are individually significant. Trade payables to associates reflects the Group's constant commitment in pursuing close collaboration with those suppliers that play a key role in production, also by considering the possibility of becoming shareholders in their companies.

The Group's share of the aggregate amount of profit from associated companies accounted for using the equity method in 2019 amounts to -4,682 thousand euros (2,485 thousand euros the previous year). The amount for the current year includes the impairment loss of IMA Dairy & Food commented on above.

During 2019, the subsidiary Packaging Manufacturing Industry S.r.l. acquired 32% of A.P.M. Assembly Packaging Machinery S.r.l., based in Castel Bolognese (RA), which operates in the assembly, production and sale of mechanical parts, machinery and equipment in general, 30% of OLTRE S.r.l., based in Ozzano dell'Emilia (BO), which provides consultancy services in the field of mechanical engineering, and 20% of OMEGA S.r.l., based in Castel Guelfo (BO), which operates in the business security sector.

Brief information about transactions with associates is given below:

- Amherst Stainless Fabrication Llc operates in the field of mechanical engineering and industrial assembly;
- Bacciottini F.lli S.r.l. processes sheet metal for pharmaceutical machinery;
- Bolognesi S.r.l. operates in the field of mechanical engineering and industrial assembly;
- Doo Officina-Game East Vrsa operates in the field of mechanical engineering, specialising in the construction of machines for third parties;
- I.E.M.A. S.r.l. designs and produces equipment for automated machinery;
- IMA Dairy & Food Holding GmbH, through its subsidiaries, looks after the design, construction and sale of automatic machines and integrated systems, to form, fill and seal food products, particularly in the dairy sector;
- Inkbit Llc is a start-up located in the USA that specialises in industrial systems, software design and materials science;
- LA.CO. S.r.l. manufactures mechanical constructions and repairs machine tools;
- Logimatic S.r.l. operates in the marketing, distribution and testing of automatic machines;
- Meccanica Sarti S.r.l. is active in the construction of mechanical components for machinery;
- MORC 2 S.r.l. operates in the manufacture of industrial handling and automation systems;
- O.M.S. Officina Meccanica di Sonico S.r.l. is active in the machining of mechanical parts and machine construction;
- RO.SI S.r.l. operates in the field of mechanical engineering in general and in particular in the mechanical engineering of plastic materials;
- SIL.MAC. S.r.l. operates in the field of mechanical engineering, specialising in the construction of machines for third parties;
- Talea S.r.l. operates in the IT sector.

Other investments in associates consist of the following:

- Powertransmission.it S.r.l. manufactures and sells engineering components, assemblies and complete plant;
- Masterpiece S.r.l. operates in the field of mechanical engineering;
- STA.MA. S.r.l. is active in the assembly, construction and overhaul of automated machines;
- BLQ S.r.l., CAIMA S.r.l., FID S.r.l. Impresa Sociale, Me.Mo. S.r.l., OMEGA S.r.l., Scriba Nanotecnologie S.r.l. and S.I.Me. S.r.l.

During 2019 Packaging Manufacturing Industry S.r.l. recognized dividends from associated companies totalling 1,487 thousand euros from Bacciottini F.lli S.r.l., Bolognesi S.r.l., I.E.M.A. S.r.l., LA.CO S.r.l., Logimatic S.r.l., Masterpiece S.r.l., MORC 2 S.r.l., Powertransmission.it S.r.l., RO.SI S.r.l., SIL.MAC. S.r.l., STA.MA. S.r.l. and Talea S.r.l. and the Parent Company IMA S.p.A. of 180 thousand euros from B.C. S.r.l.

The following table sets out the goodwill included in the carrying amount of the above equity investments at 31 December 2019:

in thousands of euros	31.12.2019	31.12.2018
Associates:		
A.P.M. Assembly Packaging Machinery S.r.l.	122	—
ATOPbi S.p.A.	—	13,871
Bolognesi S.r.l.	429	429
Bacciottini F.lli S.r.l.	158	158
I.E.M.A. S.r.l.	295	295
Inkbit Llc	1,752	1,752
LA.CO S.r.l.	129	129
Logimatic S.r.l.	158	158
Meccanica Sarti S.r.l.	1,103	1,103
MORC 2 S.r.l.	1,401	1,401
OLTRE S.r.l.	237	—
O.M.S. Officina Meccanica di Sonico S.r.l.	167	167
RO.SI S.r.l.	232	232
Scriba Nanotecnologie S.r.l.	123	123
SIL.MAC. S.r.l.	131	131
Talea S.r.l.	145	145
Total	**6,582**	**20,094**

As regards guarantees granted to associated companies, please read Note 31.

5. Financial assets

The item breaks down as follows:

in thousands of euros	31.12.2019	31.12.2018
Non-current:		
- Financial assest measured at amortized cost	42,472	42,178
- Financial assest measured at FVOCI	6,852	4,888
- Financial assest measured at FVPL	439	439
	49,763	**47,505**
Current:		
- Financial assest measured at amortized cost	2,650	8,461
- Financial assest measured at FVOCI	15,590	12,901
- Financial assest measured at FVPL	—	820
	18,240	**22,182**
Total	**68,003**	**69,687**

The Group essentially holds financial assets at amortised cost mainly represented by financial receivables and financial assets valued at FVOCI, represented mainly by investments in other companies and investments in mutual funds.

As required by IFRS 9, for all investments in equity instruments (investments in other companies), at the time of initial recognition the Group irrevocably chose to present subsequent changes in fair value in the other components of comprehensive income (FVOCI), with the exception of Mint Street Holding

S.p.A. These investments have been classified as FVOCI, accounting for the change in fair value in equity in consideration of their strategic nature.

At 31 December 2019, the Group does not have any financial assets held for trading purposes.

Non-current financial assets measured at amortised cost at 31 December 2019 essentially refer to the loan granted by the Parent Company to the associate IMA Dairy & Food Holding GmbH for 40,000 thousand euros.

Non-current financial assets measured at FVOCI include investments in other companies.

Current financial assets measured at amortised cost mainly consist of loans granted by the Parent Company and Packaging Manufacturing Industry S.r.l. to some associates for a total of 2,530 thousand euros (6,276 thousand euros at 31 December 2018). For completeness, it should be noted that at 31 December 2018 there were loans granted to third parties by Ilapak International SA for 2,058 thousand euros.

Current financial assets valued at FVOCI mainly include investment funds attributable to the Parent Company for 11,750 thousand euros (7,853 thousand euros at 31 December 2018), classified in level 3 of the fair value hierarchy, whose benchmark for measurement is their net asset value at 31 December 2019.

Movements in financial assets break down as follows:

in thousands of euros	2019	2018
Opening balance	69,687	22,915
Increases	11,067	52,304
Profit/(losses) recognized in OCI	(1,032)	540
Profit/(losses) recognized in PL	2,590	(543)
Change in scope of consolidation	—	753
Decreases	(14,298)	(6,109)
Exchange rate difference	(11)	(173)
Closing balance	**68,003**	**69,687**

6. Receivables from others

These include various guarantee deposits and a contract entered into by the Parent Company with Unipol Assicurazioni S.p.A. to provide for the severance indemnities of certain directors.

7. Derivative financial instruments

This item breaks down as follows:

in thousands of euros	Assets 31.12.2019	Liabilities 31.12.2019	Assets 31.12.2018	Liabilities 31.12.2018
Interest rate hedging instruments- cash flow hedges	—	5,351	—	3,808
Exchange rate hedging instruments- cash flow hedges	983	91	382	1,308
Total	**983**	**5,442**	**382**	**5,116**

Interest rate derivatives

The Group uses interest rate derivatives (cash flow hedges) essentially to manage the risk of changes in the interest rates on a bond loan and on borrowings from banks, transforming part of them from floating rate to a maximum fixed rate via the purchase of interest rate derivatives and caps and the sale of floors.

At 31 December 2019, the amount of 3,711 thousand euros in liabilities represents the fair value of derivative contracts to hedge the interest rate risk arranged by the Parent Company with leading banks and connected to a bond loan, and part of the medium-term loans that expire by the end of 2024, on a nominal value of 28.6 million US dollars and 289.0 million euros (35.7 million US dollars and 180.0 million euros at 31 December 2018).

In addition, the residual amount of 1,640 thousand euros in liabilities represents the fair value of interest rate hedging derivative contracts entered into by GIMA S.p.A., ATOP S.p.A., CMRE S.r.l. and Tissue Machinery Company S.p.A. on a total nominal amount of 43.0 million euros.

EXCHANGE RATE DERIVATIVES

For the disclosure requirements of IFRS 7.24A, it should be noted that as regards exchange rate derivatives, only forward contracts with 100% effectiveness are stipulated, as per the Group Policy. The other information requested is shown below.

The Group uses exchange rate derivatives to hedge future cash flows (cash flow hedges). The exposure to exchange rate risk is managed with forward purchase and sale contracts denominated in the billing currency of certain markets in which the Group operates.

At 31 December 2019, the amounts of 983 thousand euros in assets and 91 thousand euros in liabilities represent the fair value of these derivative contracts.

The notional amount of these exchange rate hedges were 60.2 million US dollars and 60.0 million Chinese yuan (62.8 million US dollars, 61.6 million Chinese yuan and 0.9 million Turkish Lire at 31 December 2018).

All foreign currency derivatives at 31 December 2019 mature within 12 months.

8. DEFERRED TAX ASSETS AND LIABILITIES

At 31 December 2019, the deferred tax asset of 58,353 thousand euros (49,226 thousand euros at 31 December 2018), mainly relates to taxes recognized in 2012 on the release of the uplift in the carrying amounts of the controlling interests recorded in IMA S.p.A.'s consolidated financial statements and temporary differences arising on provisions; deferred tax liabilities amount to 108,827 thousand euros (58,789 thousand euros at 31 December 2018) and mainly relate to temporary differences between the book values of certain tangible and intangible assets and their values recognized for tax purposes. The increase during the year mainly reflects the recognition of deferred tax liabilities on intangible assets recognized as part of the acquisitions during the period.

The following table shows the net change in deferred tax assets and liabilities:

in thousands of euros	31.12.2019	31.12.2018
Opening balance at the beginning of the year	(9,563)	6,351
Credited/(Charged) to PL	5,527	(211)
Credited/(Charged) to equity	223	343
Change in scope of consolidation	(46,265)	(25,040)
Sale of 60% of IMA D&F	—	16,678
Exchange rate difference and other changes	(396)	(7,684)
Net amount at the end of the year	**(50,474)**	**(9,563)**

The main components of deferred tax assets and liabilities are presented below, together with the changes during the year and with respect to the prior year:

in thousands of euros	Accrued to provisions	Losses carried forward	Amortization	Income (losses) from fair value	Actuarial valuation	Other	Total
Balances at 01.01.2018	26,879	4,729	(41,129)	417	4,411	11,044	6,351
Effect on PL	(2,092)	(80)	4,029	—	—	(2,068)	(211)
Effect on equity	—	—	—	491	(148)	—	343
Change in scope of consolidation	2,769	213	(28,845)	—	159	664	(25,040)
Sale of 60% of IMA D&F	(2,096)	(1,497)	20,758	—	(2,478)	1,991	16,678
Exchange rate difference and other changes	(2,487)	2,619	(7,852)	—	(4)	40	(7,684)
Balances at 31.12.2018	**22,973**	**5,984**	**(53,039)**	**908**	**1,940**	**11,671**	**(9,563)**
Effect on PL	531	571	7,238	—	—	(2,813)	5,527
Effect on equity	—	—	—	(564)	787	—	223
Change in scope of consolidation	3,758	420	(49,290)	299	137	(1,589)	(46,265)
Exchange rate difference and other changes	40	146	(866)	—	15	269	(396)
Balances at 31.12.2019	**27,302**	**7,121**	**(95,957)**	**643**	**2,879**	**7,538**	**(50,474)**

"Other" mainly includes deferred tax assets relating to the franking of revaluations in 2012 and the elimination of unrealized intra-group profits.

At the reporting date, the amount of unused tax losses for which deferred tax assets have not been recognized amount to 3,197 thousand euros (2,421 thousand euros at 31 December 2018).

On the basis of the projections of the Group's expected tax results, there are no critical issues that preclude the recoverability of the deferred tax assets.

9. Inventories

Below is a breakdown:

	31.12.2019			31.12.2018		
in thousands of euros	Gross value	Impairment provision	Net value	Gross value	Impairment provision	Net value
Raw, ancillary and consumable materials	90,047	(13,536)	76,511	76,587	(10,670)	65,917
Work in progress and semi finished goods	294,689	(41,356)	253,333	274,590	(34,730)	239,860
Finished products and goods for resale	17,267	(2,867)	14,400	16,825	(2,878)	13,947
Total	**402,003**	**(57,759)**	**344,244**	**368,002**	**(48,278)**	**319,724**

At 31 December 2019 the inventories attributable to the companies acquired in 2019 amounted to 21,639 thousand euros, of which 13,832 thousand euros and 2,347 thousand euros relate to ATOP S.p.A. and Spreafico Automation S.r.l., respectively.

The increase in inventories since 31 December 2018 mainly reflects the substantial amount of the backlog at the end of the year.

Movements in the impairment provisions in the period were as follows:

in thousands of euros	
Balances at 01.01.2018	**51,486**
Net provisions (uses)	(4,271)
Change in scope of consolidation	6,645
Sale of 60% of IMA D&F	(5,719)
Exchange rate difference	137
Balances at 31.12.2018	**48,278**
Net provisions (uses)	4,744
Change in scope of consolidation	4,610
Exchange rate difference	127
Balances at 31.12.2019	**57,759**

The net increase in inventories reported in the consolidated cash flow statement differs from the change in the corresponding item of the balance sheet as a result of inventories attributable to business combinations, as commented in Note 30.

10. Trade and other receivables and contract assets

Trade and other receivables

This item breaks down as follows:

in thousands of euros	31.12.2019	31.12.2018
Trade receivables	182,926	194,541
Advances to suppliers	29,145	23,359
Tax receivables	15,919	19,981
Deferred costs	10,060	9,585
Other receivables	5,853	10,246
Total	**243,903**	**257,712**

Trade receivables

Trade receivables include customer receivables of 171,779 thousand euros (183,084 thousand euros at 31 December 2018) and trade receivables from associates of 11,147 thousand euros (11,457 thousand euros at 31 December 2018).

At 31 December 2019, trade receivables attributable to business combinations carried out during the year came to a total of 22,440 thousand euros.

Trade receivables from customers are carried net of accumulated provisions amounting to 19,411 thousand euros (18,392 thousand euros at 31 December 2018).

The changes in the bad debt provision during the year are summarized below:

in thousands of euros	2019	2018
Opening balance	**18,392**	**18,908**
Effect on PL	665	507
Uses	(696)	(1,595)
Change in scope of consolidation	938	1,486
Sale of 60% of IMA D&F	—	(934)
Exchange rate difference and other	112	20
Closing balance	**19,411**	**18,392**

Customer receivables falling due beyond 12 months amounted to 1,414 thousand euros (1,195 thousand euros at 31 December 2018).

Deferred payment terms granted to customers resident in countries presenting particular risks are guaranteed by suitable financial instruments to secure collection.

There are no significant financial components or rights to make returns.

Receivables assigned without recourse that had not yet fallen due at 31 December 2019 amounted to around 67,951 thousand euros (51,946 at 31 December 2018) of which 55,667 thousand euros is assigned to factoring companies and 12,284 thousand euros to other financial institutions. The period saw the assignment without recourse of receivables with an overall nominal value of around 100,304 thousand euros (86,386 thousand euros in 2018). The requirements for eliminating these receivables exist in accordance with IFRS 9.

The breakdown by maturity is as follows:

		Past due		
in thousands of euros	Not yet due	< 12 months	>12 months	Total
31.12.2019				
Gross trade receivables	108,196	61,762	21,232	191,190
Bad debt provision	(1,388)	(1,101)	(16,922)	(19,411)
Net trade receivables	**106,808**	**60,661**	**4,310**	**171,779**
31.12.2018				
Gross trade receivables	127,344	53,114	21,018	201,476
Bad debt provision	(2,394)	(1,009)	(14,989)	(18,392)
Net trade receivables	**124,950**	**52,105**	**6,029**	**183,084**

The high credit standing of our customers, largely multinationals, and the lack of any significant concentration of credit by type or geographic area, reduce credit risk and thus the provision for bad debt is sufficient.

In particular, the recoverability of the carrying amount of receivables and the need for recognition of a possible write-down are the result of a process that involves subjective judgements by the Group.

The factors taken into consideration principally affect the creditworthiness of the counterparty, the amount and timing of expected future payments and any action taken or to be taken to recover the receivables.

ADVANCES TO SUPPLIERS

At 31 December 2019 these relate to advances paid to suppliers for inventory goods of 17,739 thousand euros (15,864 thousand euros at 31 December 2018) and services of 11,406 thousand euros (7,495 thousand euros at 31 December 2018).

This item also includes advances to associates of 3,221 thousand euros (3,327 thousand euros at 31 December 2018).

TAX RECEIVABLES

Tax receivables mainly consist of VAT recoverable.

Contract assets

Contract assets relating to existing contract are shown net of the related advances, as illustrated below:

in thousands of euros	31.12.2019	31.12.2018
Contract assets related to contract works	594,991	432,606
Advances received	(358,338)	(243,111)
Total	**236,653**	**189,495**

These contract assets consist of the amount due from customers for contracts in progress at the end of the year, net of advances already received.

Contract work is recorded over a period of time and assessed according to the percentage of completion method based on inputs and is therefore to be considered as amounts due to expire.

Revenue from contract work in 2019 amounted to 821,468 thousand euros (726,141 thousand euros in 2018).

The net increase in trade and other receivables reported in the consolidated cash flow statement differs from the change in the corresponding item of the balance sheet as a result of trade receivables attributable to business combinations, as commented in Note 30.

11. Income tax receivables and payables

At 31 December 2019 income tax receivables and payables amount to 21,296 thousand euros and 12,935 thousand euros (9,810 thousand euros and 7,368 thousand euros respectively at 31 December 2018).

The following companies form part of the domestic tax group: IMA S.p.A., CO.MA.DI.S. S.p.A., Corazza S.p.A., Packaging Manufacturing Industry S.r.l. and Revisioni Industriali S.r.l. as consolidated companies and SO.FI.MA. as the consolidating company.

Furthermore, GIMA S.p.A. and Tissue Machinery Company S.p.A. as consolidating companies and Mapster S.r.l. and Asset Management Service S.r.l. as consolidated companies form part of the domestic tax group.

At 31 December 2019 receivables from SO.FI.M..A. amount to 10,816 thousand euros (receivables for 3,680 thousand euros at 31 December 2018).

12. Cash and cash equivalents

This item breaks down as follows:

in thousands of euros	31.12.2019	31.12.2018
Bank current accounts	107,707	140,561
Deposits	2,802	74
Cheques and cash	190	232
Total	**110,699**	**140,867**

For a better understanding of the trend in net financial indebtedness, reference should be made to Note 15.

13. Equity attributable to equity holders of the parent

	Shares in thousands	Share capital	Share premium reserve	Treasury shares
Balance at 01.01.2018	39,254	20,415	122,818	(71)
Capital increases	—	—	—	—
Purchase and sale of treasury shares	(101)	—	—	(5,518)
Balance at 31.12.2018	**39,153**	**20,415**	**122,818**	**(5,589)**
Capital increases	3,953	2,056	—	—
Purchase and sale of treasury shares	—	—	—	—
Balance at 31.12.2019	**43,106**	**22,471**	**122,818**	**(5,589)**

Share capital and share premium reserve

The share capital at 31 December 2019, equal to 22,471 thousand euros, represents the share capital of IMA S.p.A. (fully subscribed and paid in) divided into 43,212,509 ordinary shares with a nominal value of 0.52 euros each (39,260,000 shares at 31 December 2018).

As commented on in the section “Scope of consolidation”, on 31 October 2019 IMA S.p.A. and GIMA TT S.p.A. signed the merger deed, which was registered with the Bologna Companies Register on the same date.

The merger took effect from 5 November 2019 (“Effective Date”), with the consequent termination of GIMA TT S.p.A. On the other hand, the accounting and tax effects of the merger were backdated to 1 January 2019.

On the Effective Date, IMA S.p.A. increased its share capital by a total nominal amount of 2,055,304.68 euros by issuing 3,952,509 shares to service the share exchange at a ratio of 11.4 ordinary shares of IMA with a par value of 0.52 euros each for every 100 ordinary shares of GIMA TT S.p.A.. As of 31 December 2019, the share capital of IMA S.p.A. is therefore equal to a nominal amount of 22,470,504.68 euros, divided into 43,212,509 ordinary shares with a par value of 0.52 euros each, listed on the MTA.

By resolution of 21 April 2017, the Extraordinary Shareholders’ Meeting of IMA S.p.A. approved the amendment of certain provisions of the articles of association to provide for the increase in voting rights pursuant to art. 127 quinquies CFA (similar to the concept of loyalty shares). After uninterrupted ownership of the shares for twenty-four months from the date of registration in the specific list, a number of shareholders have acquired this right.

The total amount of voting rights, which has been disclosed in the terms of art. 85 bis of the Issuers Regulation, is, as of today, equal to 66,596,241. It should also be noted that there are 451,110 shares registered in the list of increased voting rights, which are currently maturing.

As of today’s date, following the Merger, the shareholders holding equity investments to which a percentage of voting rights exceeding 3% of the total voting rights is due by reason of the accrual of the increased voting rights pursuant to art. 127 quinquies of the TUF are: SO.FI.MA. and HYDRA S.p.A. with 66.956% and 3.067%, respectively.

Treasury shares

In November 2018 the repurchase of treasury shares (share buy-back) was initiated in compliance with the authorisation given by the Shareholders’ Meeting of IMA S.p.A. on 27 April 2018. Since the start of the programme, the Parent Company has carried out transactions in its own equity instruments in 2018 by acquiring 101,500 treasury shares for a total of 5,518 thousand euros. These transactions were recognized directly in equity in accordance with IAS 32. As a result of these purchases and considering the shares already held in portfolio, at 31 December 2018 IMA S.p.A. held 107,000 treasury shares.

The Parent Company did not carry out any transactions in its own shares during 2019; as a result, at 31 December 2019 it holds 107,000 treasury shares, equal to 0.248% of the share capital.

DIVIDENDS

In May 2019, a total dividend of 78,306 thousand euros was paid, equal to 2.00 euros (gross) per ordinary share in circulation (66,733 thousand euros, equal to 1.70 euros gross in May 2018).

In the current year, the Board of Directors of the Parent Company IMA S.p.A. proposes to pay out a dividend of 2.00 euros (gross) per share. As this dividend is subject to approval of the Shareholders' Meeting, it was not recognized as a liability at 31 December 2019.

FAIR VALUE RESERVE

Changes in the fair value reserve break down as follows:

in thousands of euros	
Balance at 01.01.2018	**(1,324)**
Financial assets at FVOCI	
Measurement at fair value	540
Fair value – tax effect	(131)
Cash flow hedges/Hedging instruments	
Measurement at fair value	(2,472)
Fair value – tax effect	592
Change in scope of consolidation	(25)
Realization recognized in revenue from contracts with customer	(9)
Realization recognized in costs	1
Realization recognized in financial income and expense	(86)
Tax effect – realization recognized in PL	29
Balance at 31.12.2018	**(2,885)**
Financial assets at FVOCI	
Measurement at fair value	(1,035)
Fair value – tax effect	(286)
Realization recognized in financial income and expense	3
Cash flow hedges/Hedging instruments	
Change in scope of consolidation	(926)
Measurement at fair value	586
Fair value – tax effect	(145)
Realization recognized in revenue from contracts with customer	1,639
Realization recognized in costs	(484)
Realization recognized in financial income and expense	(607)
Tax effect – realization recognized in PL	(133)
Balance at 31.12.2019	**(4,273)**

At 31 December 2019 the fair value reserve essentially relates to the effective component of interest rate swaps.

OTHER RESERVES AND RETAINED EARNINGS

The changes during the year principally reflect the allocation of the net profit for the prior year, the distribution of dividends and the changes in minority interests discussed in Note 14.

In addition, this item includes the reserve on the remeasurement of defined benefit plans, the movements of which during the period were as follows:

in thousands of euros	
Balance at 01.01.2018	**(11,595)**
Change in scope of consolidation	(445)
Sale of 60% of IMA D&F	5,423
Actuarial value	833
Tax effect	(156)
Exchange rate difference and other changes	(62)
Balance at 31.12.2018	**(6,002)**
Change in scope of consolidation	(438)
Actuarial value	(3,723)
Tax effect	757
Exchange rate difference and other changes	(98)
Balance at 31.12.2019	**(9,504)**

MONETARY REVALUATION FOR HYPERINFLATION

Argentina is considered a country operating in a situation of hyperinflation, as commented in the section entitled "Translation of foreign currency balances". In order to reflect the changes in the purchasing power of the Argentine peso at the balance sheet date, certain items in the balance sheet of IMA MAI S.A. and Tecmar S.A. have been remeasured by applying the general consumer price index of historical data. In particular, the accounting effects were recognized as follows:

- the effect of the inflationary adjustment of non-monetary assets and liabilities and equity up to 31 December 2018 is shown as a contra-entry to equity reserves for 1,439 thousand euros;
- the effect of remeasuring the same non-monetary items, the equity items and the income statement components recorded in 2019 was recognized under financial charges in Note 26 for 721 thousand euros.

14. NON-CONTROLLING INTERESTS

The direct and indirect investments held by the Parent Company IMA S.p.A. together with non-controlling shareholders are indicated below:

		31 December 2019		31 December 2018	
	Country	% held by the Group	% held by third parties	% held by the Group	% held by third parties
ATOP S.p.A.(*)	Italy	90.98%	9.02%	—	—
Digidoc S.r.l.	Italy	80%	20%	80%	20%
Dreamer S.r.l. (in liquidation)	Italy	100%	—	90%	10%
Eurotekna S.r.l.	Italy	85.71%	14.29%	85.71%	14.29%
GIMA TT S.p.A.(**)	Italy	—	—	60.39%	39.61%
IMAF uda (Shanghai) Packaging Mach. Co. Ltd.	PRC	80%	20%	80%	20%
IMA Life (Shanghai) Ph. Mach. Co. Ltd.	PRC	86.29%	13.71%	86.29%	13.71%
O.A.SYS. S.r.l.	Italy	100%	—	70%	30%
Petroncini Impianti S.p.A.	Italy	80%	20%	80%	20%
Petroncini International Trad. (Shanghai) Co. Ltd.	PRC	80%	20%	80%	20%
Pharmasiena Service S.r.l.	Italy	70%	30%	70%	30%
Teknoweb N.A.Llc	USA	75%	25%	75%	25%
Transworld Packaging Holding S.p.A.	Italy	81%	19%	81%	19%

(*) At 31 December 2018 the Parent company held 25% of ATOPbi S.p.A.. For detailed information, please refer to the comments in the "Scope of consolidation" section.

(**) Absorbed by IMA S.p.A. in November 2019. For detailed information, please refer to the comments in the "Scope of consolidation" section.

Transworld Packaging Holding S.p.A. controls twelve companies, either directly or indirectly. For further information, see the list of equity investments provided in section H of the explanatory notes.

At 31 December 2019, minority interests amount to 11,355 thousand euros (23,898 thousand euros at 31 December 2018) and relate to ATOP S.p.A. for 9,347 thousand euros.

As previously commented in Note 13, "Share capital", the absorption of GIMA TT S.p.A. by IMA S.p.A. took effect from 5 November 2019, with effect for accounting and tax purposes backdated to 1 January 2019. IMA S.p.A. increased its share capital by 11.4 IMA ordinary shares for every 100 ordinary shares of GIMA TT S.p.A. and therefore the interest in GIMA TT S.p.A., which at 31 December 2018 amounted to 22,374 thousand euros, is zero at the reporting date.

The dividends paid to minority shareholders in 2019 amounted to 14,607 thousand euros and refer for 14,562 thousand euros to GIMA TT S.p.A. (17,204 thousand euros in 2018, of which 14,754 thousand euros attributable to GIMA TT S.p.A.).

During 2019, GIMA S.p.A. and Eurosicma S.p.A. purchased 10% of Dreamer S.r.l. and 30% of O.A.SYS. S.r.l. respectively from third parties, as mentioned in the "Scope of consolidation" section. The effect of these transactions was recognized as a deduction from equity attributable to the shareholders of the parent company for an amount of 275 thousand euros.

The IMA Group does not have any subsidiaries with significant minority interests at 31 December 2019. During the previous year, GIMA TT S.p.A. was the only company with significant minority interests.

15. Borrowings and lease liabilities

Borrowings

The item includes financial liabilities valued at amortised cost and, in particular, amounts due to banks of 491,537 thousand euros (273,597 thousand euros at 31 December 2018), amounts due to other lenders of 1,303 thousand euros (8,224 thousand euros at 31 December 2018) and bonds of 152,406 thousand euros (107,989 thousand euros at 31 December 2018).

At 31 December 2019, the IMA Group does not have any financial liabilities measured at fair value through profit or loss (FVPL).

Payables to banks

Payables to banks break down as follows:

in thousands of euros	31.12.2019	31.12.2018
Non-current:		
- Applied research and technological innovation loans	4,589	3,885
- Other loans	372,121	172,675
	376,710	**176,560**
Current:		
- Current accounts	2,661	2,102
- Advances on domestic transactions (Italy)	8,672	4,107
- Advances on export transactions	58,390	51,898
- Advances on export transactions to be carried out	11,328	20,048
- Applied research and technological innovation loans	2,052	1,724
- Other loans	31,724	17,158
	114,827	**97,037**
Total	**491,537**	**273,597**

Applied research and technological innovation loans

During the period, instalments of 1,919 thousand euros were paid regularly as they fell due and new loans of 2,931 thousand euros were received.

Other loans

The principal changes in other loans relate to the Parent Company and comprise new loans of 220,000 thousand euros, mainly involved in the acquisition of ATOP as commented on below, and repayments of 25,800 thousand euros.

Payables to banks are analyzed by maturity as follows:

in thousands of euros	31.12.2019	31.12.2018
Due within 1 year	114,827	97,037
Due from 1 to 5 years	334,625	175,884
Due beyond 5 years	42,085	676
Total	**491,537**	**273,597**

Applied research and technological innovation loans and other loans are analyzed below by currency:

in thousands of euros	31.12.2019	31.12.2018
Euro	410,212	194,377
US dollar	263	906
Other	11	159
Total	**410,486**	**195,442**

Mortgages have been granted on the properties of Castel Guelfo (BO) and Barberino Tavarnelle (FI) owned by Tissue Machinery Company S.p.A. and ATOP S.p.A. against loans for 1,537 thousand euro and 2,837 thousand euros, respectively. In addition, there is a pledge on the shares representing the capital of ATOP S.p.A. against a loan of 16,000 thousand euros. Lastly, it is worth pointing out that a loan obtained by the Parent Company in 2014 from the European Investment Bank (EIB), at 31 December 2019 is secured by a SACE guarantee of 1,400 thousand euros.

Certain loans and financings are guaranteed by compliance with certain financial covenants calculated on the basis of the following items in the consolidated financial statements:

- ratio between net financial charges and EBITDA;
- ratio of net financial indebtedness to equity;
- ratio between net debt and EBITDA;
- ratio between gross debt and EBITDA.

Non-compliance with these covenants would constitute a material event for the purposes of calling in the related loans. At 31 December 2019, all covenant requirements have been met.

Interest rates on financial payables are on average less than 5% (less than 5% in 2018).

At 31 December 2019 the Group had around 550 million euros of unutilised borrowing facilities (around 462 million euros at 31 December 2018).

The book value of advances on export transactions reflects a good estimate of their fair value. Determining the fair value of mortgages and other loans as the present value of future capital and interest flows, calculated using the market rate expressed by the zero coupon free risk curve as of the reporting date, would lead to an increase in payables by around 19 million euros.

Payables to other lenders

The item includes current payables to factoring companies for 1,053 thousand euros (305 thousand euros at 31 December 2018) and payables to others for 250 thousand euros.

At 31 December 2019, there are no payables to other lenders that fall due beyond 5 years.

Note that starting from 1 January 2019, in accordance with IFRS 16, the balances of payables to lease companies outstanding at 31 December 2018, previously valued according to IAS 17 and equal to 7,919 thousand euros, have been reclassified to lease liabilities.

Bonds

In June 2019, the Parent Company finalised the placement with European institutional investors (through a so-called "Euro private placement") of a senior bond loan, non-guaranteed and non-convertible, for 50 million euros. The bond loan and a medium-long term cash loan of 180,000 thousand euros granted by leading credit institutions in July 2019 are designed to finance the acquisition of ATOP. The bonds are unrated, with a duration of 7 years and are admitted to trading on the Third Market of the Vienna Stock Exchange. The capital will be repaid at par at the scheduled due date, though early redemption is possible. The bonds bear interest from the issue date at a fixed rate of 1.923% per annum.

In May 2014, the Parent Company completed the placement with European institutional investors of a non-convertible bond amounting to 80 million euros, represented by two separate issues of equal amount with 5 and 7 years to maturity, redeemable in lump sums on the respective maturity dates. These bonds bear interest at a fixed rate of 3.875% and 4.375% respectively. On 19 January 2018 the Bondholders' Meeting resolved on the first issue, postponing the maturity date to 13 May 2024 and reducing the interest due after the original maturity date from 3.875% to 1.637%.

In February 2013 IMA S.p.A. completed the US Private Placement of a non-convertible bond totalling 50 million US dollars with repayment in equal instalments over 10 years, starting from the fourth year. This bond incurs interest at a fixed rate of 6.25%. The third tranche was repaid in February 2019 for a total of 7,143 thousand US dollars.

The bonds are not guaranteed, but certain covenants must be met.

At 31 December 2019, outstanding bonds total 152,406 thousand euros, representing their nominal redemption value of 130 million euros and 28.6 million US dollars.

Bonds are made up of:

in thousands of euros	31.12.2019	31.12.2018
Non-current portion	144,983	100,308
Current portion	7,423	7,681
Total book value	**152,406**	**107,989**

Lease liabilities

The item breaks down as follows:

in thousands of euros	31.12.2019	31.12.2018
Non-current:		
- Lease liabilities	142,179	—
	142,179	**—**
Current:		
- Lease liabilities	21,067	—
	21,067	**—**
Total	**163,246**	**—**

This item includes payables to leasing companies for finance leases previously valued according to IAS 17.

As regards the accounting impact of FTA of IFRS 16, please refer to the comments in the section entitled "Implementation of accounting standards" and Note 2.

Lease liabilities are analysed by maturity as follows:

in thousands of euros	31.12.2019	31.12.2018
Due within 1 year	21,067	—
Due from 1 to 5 years	80,368	—
Due beyond 5 years	61,811	—
Total	**163,246**	**—**

Lease liabilities essentially include property leases.

CHANGES IN LIABILITIES DERIVING FROM FINANCING ACTIVITIES

The changes that affected the main liabilities deriving from financing activities are as follows:

in thousands of euros	Applied research loans	Other loans	Lease liabilities	Bonds	Total
Balances at 01.01.2019	**5,609**	**189,833**	**7,919**	**107,989**	**311,350**
Adoption of IFRS 16	—	—	141,091	—	141,091
Change in scope of consolidation	—	22,514	7,092	—	29,606
Granting	2,931	222,556	—	50,000	275,487
Repayment	(1,919)	(31,706)	—	(5,229)	(38,854)
Other net changes	20	648	7,144	(354)	7,458
Balances at 31.12.2019	**6,641**	**403,845**	**163,246**	**152,406**	**726,138**

The other net changes in liabilities for leased assets mainly reflect the opening of new lease contracts, net of decreases.

NET DEBT

The breakdown of net debt, alternative performance indicator, is as follows:

in thousands of euros	31.12.2019	31.12.2018
A. Cash and cash equivalents	(110,699)	(140,867)
B. Other cash equivalents	(3,960)	(5,028)
C. Investments in securities	(11,750)	(8,000)
D. Liquidity (A)+(B)+(C)	**(126,409)**	**(153,895)**
E. Current financial receivables	**(2,530)**	**(9,154)**
F. Current payables to banks	81,823	79,220
G. Current portion of non-current payables	61,493	27,004
H. Other current financial payables	1,053	305
I. Current financial debt (F)+(G)+(H)	**144,369**	**106,529**
J. Net current financial debt (D)+(E)+(I)	**15,430**	**(56,520)**
K. Non-current portion of non-current bank payables	376,710	176,560
L. Bonds issued	144,983	100,308
M. Other non-current financial payables	142,429	6,413
N. Non-current financial assets	(42,472)	(42,178)
O. Net non-current financial debt (K)+(L)+(M)+(N)	**621,650**	**241,103**
P. Net financial debt (J)+(O)	**637,080**	**184,583**

When preparing the table of net financial indebtedness, which is not identified as an accounting measurement by international accounting standards, we took into account the requirements of Consob Communication DEM/6064293 of 28 July 2006, even though we included financial receivables classified as non-current financial assets.

Total non-current financial assets differs from that reported in the balance sheet as it does not include equity interests in other companies. For further information on the breakdown of the items in net debt, see Notes 5 and 12.

The Group also has payables in respect of acquisitions totalling 113,866 thousand euros (65,880 thousand euros at 31 December 2018), essentially relating to the options agreed for the purchase of the minority interests in subsidiaries. The change compared with the previous period is mainly due to the recognition of payables relating to the acquisitions of ATOP, Perfect Pack, Spreafico and Tecmar. See Note 30 for further information.

With reference to 31 December 2018, the increase in debt, 452,497 thousand euros, mainly derives from the application of the new IFRS 16 for 155,970 thousand euros, the dividends paid by the Parent Company for 78,306 thousand euros in May 2019 (66,733 thousand euros paid in May 2018) and the acquisition of the investments in ATOP, Perfect Pack, Spreafico and Tecmar for 281,886 thousand euros.

16. Employee defined benefit liabilities

This item includes post-employment benefits valued actuarially by independent actuaries using the project unit credit method under IAS 19. It mainly comprises the pension funds belonging to the newly-acquired companies of the Dairy&Food business and severance indemnity provisions made by the Group's Italian companies.

The changes in the provisions during the year were as follows:

in thousands of euros

Balance at 01.01.2018	**55,961**
Service cost	1,432
Financial charges	459
Net actuarial losses (gains) recognized during the year	(869)
Change in scope of consolidation	3,025
Sale of 60% of IMA D&F	(23,779)
Benefit paid out during the year	(1,765)
Exchange rate difference	200
Balance at 31.12.2018	**34,664**
Service cost	1,762
Financial charges	463
Net actuarial losses (gains) recognized during the year	3,852
Change in scope of consolidation	2,203
Benefit paid out during the year	(2,558)
Exchange rate difference	169
Balance at 31.12.2019	**40,555**

The change in the scope of consolidation includes the defined benefit plans of ATOP S.p.A., Claren Cutting Service S.r.l., Perfect Pack S.r.l., Spares & More S.r.l. and Spreafico Automation S.r.l.

The employee defined benefit liabilities are analyzed below by geographical area:

in thousands of euros	31.12.2019	31.12.2018
Italy	25,076	22,405
Germany	6,492	6,487
Switzerland	6,857	3,722
France	310	256
North America	957	954
Other countries	863	840
Total	**40,555**	**34,664**

	31.12.2019	31.12.2018
Annual discount rate	0.68%	1.58%
Annual inflation rate	1.00%	1.50%
Annual rate of increase of total compensation	2.50%	3.00%
Annual rate of increase of severance indemnity	2.25%	2.63%

The following economic-financial assumptions were adopted in relation to the Italian companies:

The discounting rate applicable to Italian companies was determined with reference to the iBoxx Eurozone Corporates AA 10+ index.

The main demographic assumptions used by the actuary for the Italian companies are the following:

- life expectancies: those determined by the State General Accounting Office (RG48 split by gender);
- probability of disability: that in the INPS (National Social Security Institute) model for projections at 2010, distinguished by gender;
- pensionable age: the earliest retirement age possible under the Compulsory General Insurance scheme;
- probability of leaving work for reasons other than death: annual frequencies from 2.5% to 12%;
- probability of advance payments: an annual frequency from 3% to 5% for requests for advances of 60/70%.

The details of net assets or liabilities for benefits to employees related to the American company Ilapak Inc. pension plan are the following:

in thousands of euros	
Present value of defined benefit obligations	2,372
Fair value of plan assets	(1,773)
Net defined benefit liabilities at 31 December 2018	**599**
Present value of defined benefit obligations	2,478
Fair value of plan assets	(1,926)
Net defined benefit liabilities at 31 December 2019	**552**

The changes in in the present value of the obligation is the following:

in thousands of euros	2019	2018
Opening balance	2,372	2,479
Financial expense	97	93
Actuarial losses (gains)	20	98
Severance payments made during the year	(56)	(409)
Exchange rate difference	45	111
Present value of defined benefit obligations	**2,478**	**2,372**
Opening balance	1,773	2,107
Return on plan assets	131	(12)
Severance payments made during the year	(56)	(409)
Exchange rate difference	78	87
Fair value of plan assets	**1,926**	**1,773**

The assets servicing the plan consist 95% of US treasury bonds, corporate bonds and insurance policies. The risk profile and volatility associated with this plan are deemed to be low and the average return on the individual types of bonds in 2019 was around 6%. The liquidity that the plan is able to generate depends on fluctuations in the interest rates on the individual securities held.

The revised version of IAS 19 requires sensitivity analysis to be performed on the main actuarial assumptions used for the computational model; sensitivity analyses have therefore been performed for the Italian companies versus severance indemnities at 31 December 2019 of 24,897 thousand euros.

The results are summarized in the following table:

	Annual discount rate		Annual inflation rate		Turnover rate	
in thousands of euros	+0.50%	-0.50%	+0.25%	-0.25%	+2.00%	-2.00%
Provision for severance indemnities italian companies	23,699	26,195	25,195	24,605	24,242	25,740

The contributions expected to be made in future years in respect of the obligations of defined benefit plans of Italian companies involve the following payments:

in thousands of euros	2019	2018
Within 1 year	1,585	1,336
From 1 to 5 years	5,514	5,552
From 5 to 10 years	8,717	8,791
Total expected payments italian companies	**15,816**	**15,679**

17. Provisions for risks and charges

in thousands of euros	Balance at 31.12.2018	Net increases	Net decreases	Change in scope of consolidation	Exchange rate differences	Balance at 31.12.2019
Non-current:						
Agency termination indemnities	3,360	30	(500)	337	—	3,227
Other provisions	1,294	49	(352)	2,120	(33)	3,078
	4,654	**79**	**(852)**	**2,457**	**(33)**	**6,305**
Current:						
Product guarantee provision	24,971	2,456	(1,578)	1,883	58	27,790
Other provisions	2,423	415	(866)	—	5	1,977
	27,394	**2,871**	**(2,444)**	**1,883**	**63**	**29,767**
Total	**32,048**	**2,950**	**(3,296)**	**4,340**	**30**	**36,072**

These provisions are analyzed as follows:

The change in scope of consolidation mainly refers to ATOP S.p.A.

The product guarantee provision was established on the basis of estimated expenses for work to be performed under guarantee after 31 December 2019, calculated on the basis of historical costs and expected costs of machines sold and still under the initial guarantee.

Other provisions are made up of provisions for risks and charges made to cover charges that might arise from contractual obligations; Group companies used experienced consultants to quantify the provisions.

18. Trade and other payables and contract liabilities

Trade and other payables

This item is analyzed as follows:

in thousands of euros	31.12.2019	31.12.2018
Trade payables	413,777	364,194
Social security and defined-contribution plan payables	15,100	14,202
Tax payables	12,890	12,070
Due to employees	78,972	67,205
Payables in respect of acquisitions	113,866	65,880
Deposits	1,331	2,064
Other payables	12,009	11,634
Total	**647,945**	**537,249**

Trade payables

These include trade payables to suppliers of per 297,782 thousand euros (264,738 thousand euros at 31 December 2018), payables to agents of 16,777 thousand euros (15,971 thousand euros at 31 December 2018) and trade payables to associates of 99,218 thousand euros (83,485 thousand euros at 31 December 2018).

Trade payables to associates reflects the Group's constant commitment in pursuing close collaboration with those suppliers that play a key role in production, also by considering the possibility of becoming shareholders in their companies.

Tax payables

Tax payables mainly consist of income tax withheld from employees' wages and salaries.

Due to employees

The item mainly reflects the payable relating to deferred monthly payments, bonuses and accrued holidays. This item includes 14,188 thousand euros classified among the non-current liabilities (7,701 thousand euros at 31 December 2018).

Payables in respect of acquisitions

At 31 December 2019 these include payables for the purchase of investments relating to the acquisitions that took place in 2019 for 53,030 thousand euros, mainly relating to ATOP S.p.A., Perfect Pack S.r.l., Spares & More S.r.l., Spreafico Automation S.r.l. and Tecmar S.A., the acquisitions that took place in 2018 for 29,397 thousand euros, which mainly relate to Ciemme S.r.l. and TMC Group, and the acquisitions that took place in previous years for 31,439 thousand euros, which mainly relate to Eurosicma S.p.A. and Teknoweb Converting S.r.l.

The total amount of payables for acquisitions classified under non-current liabilities comes to 102,417 thousand euros (62,675 thousand euros at 31 December 2018).

OTHER PAYABLES

At 31 December 2019, other payables include 3,948 thousand euros classified under non-current liabilities (4,377 thousand euros at 31 December 2018).

CONTRACT LIABILITIES

The item breaks down as follow:

in thousands of euros	31.12.2019	31.12.2018
Advances received from customer	105,132	133,495
Contract liabilities related to contract works	30,751	40,360
Total	**135,883**	**173,855**

Contract liabilities relating to existing contract are shown net of the related assets, as illustrated below:

in thousands of euros	31.12.2019	31.12.2018
Advances received	113,640	104,124
Contract assets related to contract works	(82,889)	(63,764)
Total	**30,751**	**40,360**

Contract liabilities consist of advances received for contract work in progress at the end of the period, net of the assets relating to existing contracts.

The net increase in trade payables, contract liabilities and other payables reported in the consolidated cash flow statement differs from the change in the corresponding items in the statement of financial position as a result of trade payables attributable to the business combinations, as commented on in Note 30.

19. OTHER REVENUE AND CAPITALIZED COSTS

This item breaks down as follows:

in thousands of euros	2019	2018	Change
Capital gains on disposal of non-current assets	346	204	142
Out-of-period income	2,244	3,092	(848)
Other revenue and income	10,455	9,764	691
Total	**13,045**	**13,060**	**(15)**

In the 2018 Annual Report, other revenue also included capitalized costs of 20,771 thousand euros. From 2019, the figures relating to increases in non-current assets for internal work were shown separately as capitalized costs in the consolidated income statement.

Capitalized costs of 27,142 thousand euros relate to increases in non-current assets for internal work and refer for 23,291 thousand euros to development costs and new technologies (12,481 thousand euros in 2018) and for 3,851 thousand euros to equipment and machinery (8,290 thousand euros in 2018).

Capitalized costs attributable to the newly acquired ATOP S.p.A. amount to 3,417 thousand euros.

INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125 OF LAW 124, 4 AUGUST 2017

In compliance with the transparency and disclosure requirements contained in Law 124 of 4 August 2017, article 1 paragraphs 125-129 (replaced by article 35 of Decree Law 34 of 30 April 2019) which imposed on companies the obligation to indicate in the notes “the amounts and information on grants, subsidies, benefits, contributions or aid, in cash or in kind, not of a general nature and without a consideration, remuneration or compensation, actually disbursed by public administrations", in 2019 the Group benefited from:

- Training plans financed by Fondirigenti and Fondimpresa for 276 thousand euros;
- Contributions from the Lombardy Region for energy efficiency, as per the regional tender, approved with Decree 8675 of 8 September 2016 for 2 thousand euros;
- Support for sickness shortages for employees by the Bilateral Metalworking Entity for 4 thousand euros.

During 2019, the Group benefited from State aid and de minimis aid contained in the National Register of State Aid referred to in article 52 of Law 234 f 24 December 2012, for which reference is made to the following website

https://www.rna.gov.it/RegistroNazionaleTrasparenza/faces/pages/TrasparenzaAiuto.jspx.

The main types are the following:

- Tender for the promotion of investment projects in implementation of article 6 of the Emilia-Romagna Regional Law 14/2014;
- Tender for Sustainable Industry Large Projects, in reference to the Concession Decree 4086 of 6 July 2016 of the Ministry of Economic Development.

20. Cost of raw, ancillary and consumable materials and goods for resale

in thousands of euros	2019	2018	Change
Raw materials and semi finished goods	514,579	487,041	27,538
Consumables and ancillary materials	20,390	20,489	(99)
Marketable goods	57,408	42,643	14,765
Other purchases	5,750	5,205	545
Total	**598,127**	**555,378**	**42,749**

This item breaks down as follows:

The cost of raw, ancillary and consumable materials and goods attributable to the companies acquired in 2019, amounted to 34,195 thousand euros.

21. Services, rentals and leases

This item breaks down as follows:

in thousands of euros	2019	2018	Change
Outsourced work and fitting	91,725	93,051	(1,326)
Maintenance and repair	12,870	10,946	1,924
Energy, telephone, gas, water and postal charges	15,443	13,691	1,752
Commissions	18,970	18,612	358
Technical, legal, tax and administrative consulting services	81,991	65,434	16,557
Advertising and promotions	4,909	4,722	187
Exhibitions	6,230	8,842	(2,612)
Travel and insurance	37,204	35,499	1,705
Transport	22,947	20,439	2,508
Bank charges	2,234	2,108	126
Rental charges	—	20,710	(20,710)
Operating lease fees	—	477	(477)
Rental fees	3,349	4,256	(907)
Short-term or low-value lease fees	3,262	—	3,262
Other services	22,978	22,354	624
Total	**324,112**	**321,141**	**2,971**

Rental fees in 2019 mainly refer to intangible assets.

Services, rentals and leases attributable to the companies that joined the scope of consolidation in 2019 amounted in total to 10,945 thousand euros.

The item also includes non-recurring charges for 7,406 thousand euros (2,524 thousand euros in 2018), mainly relating to the absorption of GIMA TT S.p.A. by IMA S.p.A., as commented in Note 34.

22. Personnel costs

Personnel costs break down as follows:

in thousands of euros	2019	2018	Change
Wages and salaries	308,405	278,914	29,491
Social security contributions	72,219	65,192	7,027
Board of Directors' emoluments	10,063	12,487	(2,424)
Pensions – defined-benefit plans	1,797	1,383	414
Pensions – defined-contribution plans	15,757	14,605	1,152
Other personnel costs	20,774	22,261	(1,487)
Total	**429,015**	**394,842**	**34,173**

Personnel costs attributable to Petroncini Impianti S.p.A., Ciemme S.r.l. and the TMC Group, which were included in the scope of consolidation for part of the previous year for 14,019 thousand euros, come to a total of 22,593 thousand euros.

In addition, personnel costs attributable to ATOP S.p.A., Perfect Pack S.r.l., Spreafico Automation S.r.l. and Tecmar S.A. total 11,165 thousand euros.

The item includes non-recurring charges for 201 thousand euros (2,089 thousand euros in 2018) as commented in Note 34.

The higher level of costs compared with the prior year is mainly due to the labour cost of the Italian employees: taking the main elements of remuneration into account, this has increased by 0.95%, triggered by pay rises under the National Collective Bargaining Agreement for Metalworkers, pay rises under the various Company Supplementary Agreements, bonuses linked to local company bargaining, as well as the Group's bonus policy.

Personnel costs have also risen significantly in line with the increased number of employees and collaborators in the year.

The IMA Group employed 5.949 people on average during 2019, as analyzed below:

	2019	2018	Change
Managers	314	289	25
Office workers	3,775	3,490	285
Production workers	1,860	1,677	183
Total	**5,949**	**5,456**	**493**

At 31 December 2019, the Group had 6,159 employees (5,623 at 31 December 2018), of whom 365 work for ATOP S.p.A., Perfect Pack S.r.l., Spreafico Automation S.r.l. and Tecmar S.A.

23. Depreciation, amortization and write-downs

This item breaks down as follows:

in thousands of euros	2019	2018	Change
Depreciation of property, plant and equipment	12,661	15,006	(2,345)
Depreciation of right of use assets	25,855	—	25,855
Amortization of intangible assets	42,353	28,565	13,788
Write-downs/impairment	97	—	97
Bad debt provision	665	507	158
Total	**81,631**	**44,078**	**37,553**

Depreciation of right-of-use assets mainly refers to the application of IFRS 16. The increase in amortisation mainly refers to development costs and intangible assets recognized as part of acquisitions made during the year.

24. Other operating costs

Other operating costs comprise:

in thousands of euros	2019	2018	Change
Capital losses on disposal of non-current assets	313	247	66
Property tax and other taxes	3,363	3,100	263
Out-of-period expenses	1,587	1,594	(7)
Membership fees	531	471	60
Penalties and charges on sales	461	2,117	(1,656)
Sundry promotional materials	327	360	(33)
Other operating expenses	4,326	5,277	(951)
Total	**10,908**	**13,166**	**(2,258)**

In 2018, the item included non-recurring charges of 1,733 thousand euros.

25. Financial income

This item breaks down as follows:

in thousands of euros	2019	2018	Change
Fair value remeasurement of the interest held in ATOPbi S.p.A.	54,862	—	54,862
Fair value remeasurement of the interest held in Petroncini S.p.A.	—	11,625	(11,625)
Interest income from banks	408	367	41
Interest income from associates	1,065	352	713
Interest income on amounts due from customers	239	298	(59)
Income from corrent investments at FVOCI	2,757	98	2,659
Change in fair value for contingent considerations	2,965	1,443	1,522
Other interest and financial income	630	609	21
Income from derivative financial instruments	432	453	(21)
Net financial income by hiperinflation	—	141	(141)
Exchange rate gains	16,338	18,718	(2,380)
Total	**79,696**	**34,104**	**45,592**

With regard to the proceeds of the remeasurement at fair value of the interest in ATOPbi S.p.A., please refer to the comments in Note 30.

Interest income on associates mainly refers to IMA Dairy & Food Holding GmbH.

26. Financial expense

This item breaks down as follows:

in thousands of euros	2019	2018	Change
Fair value remeasurement of the interest held in CMRE S.r.l.	956	—	956
Interest expense on bank payables	6,809	4,220	2,589
Interest expense on bonds	4,785	5,181	(396)
Interest expense on discounting	280	454	(174)
Interest expense on finance leases pursuant to ex IAS 17	—	121	(121)
Interest expense on lease liabilities	4,208	—	4,208
Net financial expense on defined-benefit plans	593	544	49
Various interest expense	301	315	(14)
Loss on financial assets at FVPL	—	543	(543)
Change in fair value for contingent considerations	3,305	3,778	(473)
Bank guarantee expenses	640	605	35
Expense from derivative financial instruments	1,301	1,730	(429)
Net expense from hyperinflation	721	—	721
Other financial expense	2,195	2,007	188
Exchange rate losses	17,024	15,144	1,880
Total	**43,118**	**34,642**	**8,476**

At 31 December 2019, exchange rate gains and losses included an unrealized gain of 8,007 thousand euros and an unrealized loss of 8,065 thousand euros (6,989 thousand euros and 4,435 thousand euros, respectively, in the previous year).

27. Taxes

This item is analyzed as follows:

in thousands of euros	2019	2018	Change
Taxes for the period:			
Current taxes	57,539	58,076	(537)
Net deferred tax assets and liabilities	(5,527)	211	(5,738)
	52,012	**58,287**	**(6,275)**
Prior year taxes	2,716	2,893	(177)
Total	**54,728**	**61,180**	**(6,452)**

The following table reconciles the tax charges with the book profits multiplied by the theoretical tax rates:

The theoretical tax rate used to determine the income taxes is 24% of the taxable income for the year for the Italian companies and the current rate applied in each country for the foreign companies.

28. Profit (loss) from discontinued operations/disposal groups

in thousands of euros	2019	2018
Profit before taxes	**224,371**	**211,938**
Taxes determined on the theoretical tax rate	**55,168**	**52,530**
Effect of income not subject to tax	(14,368)	(3,764)
Effect of non-deductible costs	6,355	2,316
IRAP	8,403	8,565
Other changes	(3,546)	(1,360)
Prior year taxes	2,716	2,893
Total	**54,728**	**61,180**

On 20 December 2018, IMA S.p.A. completed the closing of the sale of 60% of its investment in IMA Dairy & Food Holding GmbH to TB Tauris Italia S.r.l.

The companies held by IMA Dairy & Food Holding GmbH involved in the sale are Hassia Verpackungsmaschinen GmbH, Hamba-Gasti GmbH, IMA Dairy & Food USA Inc., Hamba Verwaltungsgesellschaft mbH, Hamba Filltec GmbH & Co. KG, Erca S.A.S. and Erca-Formseal Iberica S.A.

The companies involved in the transaction operate in the design, construction and sale of automatic machines and integrated systems to form, fill and seal food products, particularly in the dairy sector, with production facilities in Germany and France.

For further information, please refer to the 2018 Annual Report.

29. Earnings per share

Basic earnings per share are calculated as the ratio of Group net profit to the weighted average number of ordinary shares outstanding during the year, as follows:

	2019	2018
Net profit from continuing operations (thousands of euros)	169,248	130,197
Average number of outstanding ordinary shares (thousands of shares)	39,761	39,247
Earning per share from continuing operations (in euros)	**4.26**	**3.32**
Net profit from discontinued operations/disposal groups (thousands of euros)	—	(26,165)
Average number of outstanding ordinary shares (thousands of shares)	39,761	39,247
Earning per share from discontinued operations/disposal groups (in euros)	**—**	**(0.67)**
Profit for the year (thousands of euros)	169,248	104,032
Average number of outstanding ordinary shares (thousands of shares)	39,761	39,247
Earning per share (in euros)	**4.26**	**2.65**

For the IMA Group, basic earnings per share and diluted earnings per share are the same, given the absence of instruments that might result in dilution.

30. Business combinations

On 4 February 2019, Transworld Packaging Holding S.p.A. acquired 100% of the Swiss company Luna Investment SA, based in Lugano with share capital of 100 thousand CHF, for a total of 2,033 thousand euros. The company has as its object to purchase, hold, manage and sell equity investments. The goodwill recognized provisionally amounts to approximately 2,069 thousand euros.

On 11 April 2019, IMA completed the closing of the acquisition of 61.45% of Tecmar S.A., based in Mar del Plata (Argentina), an important player in the South American market in the design, production and marketing of automatic packaging machines in the coffee and food sectors. IMA has also signed put & call options on the other 38.55%, to be exercised after the approval of the financial statements at 31 December 2023.

The main provisional values for assets and liabilities at the acquisition date were as follows:

in thousands of euros	Amounts acquired	Fair value
Property, plant and equipment and right of use assets	431	431
Intangible assetes	—	3,027
Inventories	854	854
Trade receivables and other assets	753	753
Cash and cash equivalents	1,092	1,092
Borrowings and lease liabilities	(247)	(247)
Deferred tax liabilities	—	(908)
Income tax liabilities	(427)	(427)
Contract liabilities	(888)	(888)
Trade payables and other liabilities	(796)	(796)
Total	**772**	**2,891**
Cost of acquisition		3,928
Goodwill		**1,037**

The fair value of the assets and liabilities was determined on a provisional basis, recognizing in particular: (i) non-patented technologies classified as development costs for 2,061 thousand euros; (ii) trademarks and customer lists classified as software, licences, trademarks and other rights for 582 thousand euros and 384 thousand euros respectively; (iii) deferred tax liabilities for 908 thousand euros.

The cost of the acquisition includes the amount of 1,691 thousand euros (1,355 thousand euros paid at the closing with the balance due in May 2019), and the fair value of payables relating to the options for the purchase of the other 38.55% of Tecmar S.A. for 2,237 thousand euros, discounted using the return on government securities with the same maturity.

At 31 December 2019 the newly acquired companies, which were consolidated for 9 months, generated revenue of 4,161 thousand euros and an operating profit of 1,178 thousand euros, including personnel costs of 1,019 thousand euros.

On 16 April 2019, IMA completed the closing for the purchase of 70% of Spreafico Automation S.r.l.; the company, based in Calolziocorte (LC), is an important player in the design, production and marketing of automatic machines for filling and preparing capsules for coffee and other soluble products. IMA has also been granted a purchase option, exercisable in April 2028, for the other 30% of the company.

The main provisional values for assets and liabilities at the acquisition date were as follows:

in thousands of euros	Amounts acquired	Fair value
Property, plant and equipment	713	713
Right of use assets	2,817	2,817
Intangible assets	36	23,380
Inventories	5,324	5,324
Trade receivables and other assets	4,945	4,945
Cash and cash equivalents	1,043	1,043
Borrowings	(391)	(391)
Lease liabilities	(1,656)	(1,656)
Employee defined benefit liabilities	(445)	(445)
Deferred tax liabilities	–	(6,513)
Income tax liabilities	(517)	(517)
Contract liabilities	(3,865)	(3,865)
Trade payables and other liabilities	(3,927)	(3,927)
Total	**4,077**	**20,908**
Cost of acquisition		21,603
Goodwill		**695**

The fair value of the assets and liabilities was determined on a provisional basis, recognising in particular: (i) non-patented technologies classified as development costs for 18,355 thousand euros; (ii) trademarks and customer lists classified as software, licences, trademarks and other rights for 2,890 thousand euros and 2,099 thousand euros respectively; (iii) deferred tax liabilities for 6,513 thousand euros.

The cost of the acquisition includes the 10,000 thousand euros paid at the closing, the balance of the provisional price of 2,351 thousand euros paid in July 2019 and the potential consideration of 9,252 thousand euros, of which 3,357 thousand euros by way of earn-out and 5,895 thousand euros for the fair value of the option for the purchase of the other 30% of Spreafico Automation S.r.l., discounted using the return on government securities with the same maturity.

At 31 December 2019 the newly acquired companies, which were consolidated for 9 months, generated revenue of 12,278 thousand euros and an operating profit of 2,778 thousand euros, including personnel costs of 1,951 thousand euros.

On 19 June 2019 IMA acquired a further 50% of CMRE S.r.l., a real estate company based in Bologna, from related parties for 5,000 thousand euros, thus bringing its total stake in the company to 100%. As required by IFRS 3, if a business combination is carried out in stages, the previously held interest is remeasured at fair value at the date control is acquired and the difference between it and the value of the previously held investment is recognized in the income statement; the charge relating to the acquisition of CMRE S.r.l., calculated in this way, was equal to 956 thousand euros. The goodwill recognized provisionally amounts to approximately 871 thousand euros.

On 2 July 2019, IMA completed the closing for the purchase of 56.1% of ATOPbi S.p.A. and 16% of Stator S.p.A.. Following this agreement, IMA, which was already a shareholder of ATOPbi S.p.A. since 2017, achieved an overall interest in the company of 81.1% and indirectly holds 84% of ATOP S.p.A., a company based in Barberino Tavarnelle (FI) and a market leader in automatic machines and lines for the production of stators and rotors used in electric motors for the automotive sector. Subsequently, in December 2019, as a consequence of the absorption of Stator S.p.A. by ATOP S.p.A. and the reverse merger of ATOPbi S.p.A. with ATOP S.p.A., effective from 1 January 2019, at the reporting date, IMA came to hold directly 84.165% of ATOP S.p.A.; Put & call options were also taken out on the shares reinvested by the founding shareholders for a total of 6.8% of the capital, to be exercised after the date of approval of the financial statements at 31 December 2021.

The main provisional values for assets and liabilities at the acquisition date were as follows:

in thousands of euros	Amounts acquired	Fair value
Property, plant and equipment and right of use assets	12,841	12,841
Intangible assets	2,095	130,946
Deferred tax assets	3,669	3,669
Inventories	10,437	10,437
Contract assets	18,500	18,500
Income tax receivables	5,381	5,381
Trade receivables and other assets	15,104	15,104
Cash and cash equivalents	5,993	5,993
Borrowings and lease liabilities	(26,548)	(26,548)
Employee defined benefit liabilities	(742)	(742)
Deferred tax liabilities	(3,438)	(39,387)
Provisions for risks and charges	(3,307)	(3,307)
Contract liabilities	(2,874)	(2,874)
Trade payables and other liabilities	(35,656)	(35,656)
Total	**1,455**	**94,357**
Value of the business combination		
Carrying amount of interest held at the acquisition date		20,177
Fair value remeasurement of the interest held at the acquisition date		54,862
Cost of acquisition made in 2019		250,572
Minority		8,507
Goodwill		**239,761**

The fair value of the assets and liabilities was determined on a provisional basis, recognizing in particular: (i) non-patented technologies classified as development costs for 45,263 thousand euros; (ii) trademarks, customer lists and backlog classified as software, licences, trademarks and other rights for 20,492 thousand euros and 63,096 thousand euros respectively; (iii) deferred tax liabilities for 35,949 thousand euros. In the recognition of the goodwill generated by the acquisition, minority interests were not recognised as permitted by IFRS 3.

The cost of the acquisition includes the amount of 225,887 thousand euros paid at the closing and the consideration of 24,685 thousand euros relating to the fair value of the option subscribed for the purchase of 8.12% of ATOPbi S.p.A., discounted using the yield on government securities with the same duration.

It should also be noted that in the Financial information at 30 September 2019 the excess of the purchase cost compared with the fair value of the business combination was determined on a non-definitive basis and provisionally allocated to goodwill.

At 31 December 2019 the newly acquired companies, which were consolidated for 6 months, generated revenue of 56,290 thousand euros and an operating profit of 17,580 thousand euros, including personnel costs of 7,592 thousand euros.

On 26 July 2019 Tissue Machinery Company S.p.A. completed the acquisition for 2,803 thousand euros of 80% of the share capital of Spares & More S.r.l., based in Gallicano (LU) and active in the sector of industrial overhaul and reconditioning of used machines. TMC has also signed a put & call option on the other 20%, which can be exercised from 1 January 2020, for a total of 701 thousand euros. On 31 July 2019 Spares & More S.r.l. subscribed an increase of capital of 100 thousand euros, approved by Claren Cutting Service S.r.l., based in Calderara di Reno (BO) and active in the supply of compatible S.p.A.re parts for tissue machines, resolved following the complete cancellation of Claren's share capital. Furthermore, it subscribed a capital reserve of 300 thousand euros. The interest that Spares & More S.r.l. has in Claren Cutting Service S.r.l. is therefore 100%. The fair value of the assets and liabilities was determined on a provisional basis, recognising in particular: (i) trademarks and customer lists classified as software, licences, trademarks and other rights for 1,146 thousand euros and 1,498 thousand euros respectively; (ii) deferred tax liabilities for 737 thousand euros. The goodwill recognized provisionally and included in the Tissue CGU amounts to 1,227 thousand euros.

On 7 August 2019, IMA acquired 60% of Perfect Pack S.r.l., based in Rimini, an important player in the design, production and marketing of automatic enveloping machines and complete lines for single-dose packs for various different markets: pharmaceutical, cosmetic, nutraceutical and chemical. A put option was also granted on the other 40% of the company, which can be exercised in April 2024 and April 2029.

The main provisional values for assets and liabilities at the acquisition date were as follows:

in thousands of euros	Amounts acquired	Fair value
Property, plant and equipment	107	107
Right of use assets	938	938
Intangible assets	11	14,198
Inventories	2,236	2,236
Trade receivables and other assets	968	968
Cash and cash equivalents	3,736	3,736
Lease liabilities	(850)	(850)
Employee defined benefit liabilities	(450)	(450)
Deferred tax liabilities	(9)	(3,967)
Contract liabilities	(1,247)	(1,247)
Trade payables and other liabilities	(1,677)	(1,677)
Total	**3,763**	**13,992**
Cost of acquisition		26,400
Goodwill		**12,408**

The fair value of the assets and liabilities was determined on a provisional basis, recognising in particular: (i) non-patented technologies classified as development costs for 5,037 thousand euros; (ii) trademarks and customer lists classified as software, licences, trademarks and other rights for 2,080 thousand euros and 7,070 thousand euros respectively; (iii) deferred tax liabilities for 3,958 thousand euros.

The cost of the acquisition includes the 12,480 thousand euros paid at the closing, the adjustment of the provisional price of -99 thousand euros and the potential consideration of 14,019 thousand euros, of which 900 thousand euros by way of earn-out and 13,119 thousand euros for the fair value of the option signed for the purchase of the other 40% of Perfect Pack S.r.l., discounted using the return on government securities with the same maturity.

It should also be noted that in the Financial information at 30 September 2019 the excess of the purchase cost compared with the fair value of the business combination was determined on a non-definitive basis and provisionally allocated to goodwill.

At 31 December 2019 the newly acquired companies, which were consolidated for 5 months, generated revenue of 2,616 thousand euros and an operating profit of 490 thousand euros, including personnel costs of 603 thousand euros.

The amounts recognized at the acquisition date were determined provisionally as required by IFRS 3; any adjustments will be recorded within 12 months from the date of the acquisition.

1,697 thousand euros of ancillary charges related to the acquisition were booked to the income statement under services, rentals and leases.

At 31 December 2019 the amount of the purchase price that has been paid, net of the cash acquired, amounts to 251,229 thousand euros.

31. Guarantees granted

At 31 December 2019, the Group provided sureties and other bank guarantees to customers for 38,763 thousand euros for the proper functioning of the machines, bid bonds and advances not yet received, sureties guaranteeing lease contracts for 7,740 thousand euros and guarantees in favour of others for 4,741 thousand euros. The Parent Company has also given sureties and other guarantees (binding letters of patronage) to third parties on behalf of subsidiaries and associates, with respect to lines or credit or financing extended by banks and the payment of rental fees, as shown below:

in thousands of euros	31.12.2019	31.12.2018
Subsidiaries:		
ATOP S.p.A.	25,700	—
Benhil GmbH	15,000	1,600
Claren Cutting Service S.r.l.	2,010	—
CMRE S.r.l.	45,763	—
CO.MA.DI.S. S.p.A.	155	89
Corazza S.p.A.	19,500	19,525
Delta Systems & Automation Inc.	3,561	1,747
Eurosicma S.p.A.	5,000	1,325
Eurotekna S.r.l.	100	100
Fillshape S.r.l.	—	8,650
GIMA S.p.A.	47,850	47,900
GIMA TT S.p.A.	—	72,973
G.S. Coating Technologies S.r.l.	1,000	1,000
Ilapak Inc.	6,676	6,550
Ilapak International SA	18,921	16,887
Ilapak Italia S.p.A.	6,700	6,700
Ilapak Sp. Z o.o.	5,638	5,580
Ilapak Verpackungsmaschinen GmbH	2,300	2,300
IMA Automation Malaysia Sdn. Bhd.	4,650	3,150
IMA Automation USA Inc.	8,901	8,734
IMA Est GmbH	800	800
IMA Life (Beijing) Pharmaceutical Systems Co. Ltd.	4,220	4,190
IMA Life Japan KK	820	795
IMA Life North America Inc.	8,841	6,379
IMA Life (Shanghai) Pharmaceutical Machinery Co. Ltd.	703	698
IMA Medtech Switzerland SA	18,702	18,014
IMA Pacific Co. Ltd.	3,595	5,744
IMA-PG India Pvt. Ltd.	2,000	2,000
Mapster S.r.l.	3,500	3,500
Perfect Pack S.r.l.	1,000	—
Petroncini Impianti S.p.A.	3,250	3,250
Pharmasiena Service S.r.l.	3,324	2,500
Revisioni Industriali S.r.l.	2,500	2,525
Spreafico Automation S.r.l.	2,015	—
Telerobot S.p.A.	2,017	2,332
Teknoweb Converting S.r.l.	4,000	4,000
Tissue Machinery Company S.p.A.	20,049	13,826
Valley Tissue Packaging Inc.	1,780	1,747
	302,541	**277,110**
Associates:		
Doo Officina-Game Vrsac	418	959
Erca S.A.S.	—	4,858
GASTI Verpackungsmaschinen GmbH	—	773
IMA Dairy & Food Holding GmbH	12,694	6,000
	13,112	**12,590**
Joint venture:		
CMRE S.r.l.	—	2,221
	—	**2,221**
Total	**315,653**	**291,921**

Guarantees totalling 21,000 thousand euros have also been given to leading banks in relation to the lines of credit shares by the Group's Italian subsidiaries.

Ilapak International SA provided guarantees to third parties in the interest of Ilapak Verpackungsmaschinen GmbH and Ilapak SNG OOO of 2,145 thousand euros.

Lastly, note that sureties were issued against advances received from customers for a total of 107,286 thousand euros (117,034 thousand euros at 31 December 2018), of which 47,945 thousand euros mainly reflect the use of credit lines guaranteed by commitments on the part of the Parent Company, as shown in the above table.

32. Commitments

At 31 December 2019 there are commitments for the purchase of property, plant and equipment and intangible assets of 14,347 thousand euros and 561 thousand euros respectively relating principally to the property complex being built by CMRE S.r.l.

Commitments for rents and lease payments excluded from the application of IFRS 16 amount to 12,444 thousand euros. This amount includes 8,381 thousand euros relating to the signing, during the year, of a preliminary lease contract for a building under construction linked to the property located in Castel San Pietro Terme (BO), as commented in Note 2.

Other commitments in favour of third parties, 18,809 thousand euros, mainly consist of the Parent Company’s agreement to buy further units of the mutual funds.

33. Related-party transactions

In compliance with current Consob regulations on Related-Party Transactions, from 2010 IMA S.p.A. adopted the procedure to be followed by IMA and its subsidiaries when carrying out transactions with parties related to IMA; this procedure was updated on 15 February 2019. For further information please read the Report on operations.

At 31 December 2019 the share capital of IMA S.p.A. was held 51.594% by SO.FI.M.A. Following the total asymmetric spin-off of Lopam Fin S.p.A., the former parent company of SO.FI.M.A., which took place on 16 July 2019, and its consequent cancellation from the register of companies, the entity at the highest hierarchical level that holds control of IMA S.p.A. at 31 December 2019 is SO.FI.M.A.

The following companies form part of the domestic tax group: IMA S.p.A., CO.MA.DI.S. S.p.A., Corazza S.p.A., Packaging Manufacturing Industry S.r.l. and Revisioni Industriali S.r.l. as consolidated companies and SO.FI.M.A. as the consolidating company.

As described earlier, intra-group transactions are a consequence of the organizational structure of the Group. Such transactions are carried out as part of ordinary operations on an arm’s-length basis.

In addition to intra-group transactions, the Group also conducts operations with other related parties, mainly parties controlling the Parent Company, or parties responsible for the administration and management of IMA S.p.A. or entities controlled by such parties.

The Board must give advance approval in its meetings for all transactions with related parties, including inter-company transactions, except for transactions carried out in the ordinary course of business on arm’s-length terms.

These transactions are mainly commercial and real estate operations (leased premises used by the Parent Company or the Group), as well as participation in the consolidated tax mechanism mentioned above.

Transactions with related parties are made at terms and conditions that are equivalent to normal market conditions.

The trade receivables and payables outstanding at year-end are not insured and do not bear interest.

The following table details the main transactions carried out with related parties:

in thousands of euros	Receivables at 31.12.2019	Receivables at 31.12.2018	Payables at 31.12.2019	Payables at 31.12.2018
Parent companies:				
Lopam Fin S.p.A.	—	3	—	—
SO.FI.M.A. S.p.A.	10,816	3,680	—	—
	10,816	**3,683**	**—**	**—**
Associates and joint venture:				
Amherst Stainless Fabrication Llc	1,540	1,127	200	526
A.P.M. Assembly Pack. Mach. S.r.l.	808	—	1,745	—
ATOPbi S.p.A.	—	16,322	—	—
B.C. S.r.l.	3,254	2,992	944	833
Bacciottini F.lli S.r.l.	913	1,237	9,263	5,703
Bolognesi S.r.l.	1,264	1,145	4,720	5,088
CMRE S.r.l.	—	8,502	—	—
Doo Officina-GAME East Vrsac	1,304	1,429	113	122
Erca S.A.S.	—	1,337	—	91
GASTI Verpackungsmaschinen GmbH	—	786	—	1
Hassia Verpackungsmaschinen GmbH	—	1,276	—	71
I.E.M.A. S.r.l.	3,388	2,932	18,100	19,950
IMA Dairy & Food Holding GmbH	44,814	52,821	—	1,313
Inkbit Llc	1,810	2,110	—	—
LA.CO S.r.l.	827	802	2,841	2,873
Logimatic S.r.l.	10,040	8,701	28,579	20,908
Masterpiece S.r.l.	39	30	829	744
Meccanica Sarti S.r.l.	1,254	1,214	706	797
Me. Mo. S.r.l.	1,527	1,536	97	123
MORC 2 S.r.l.	2,281	1,720	4,269	890
O.M.S. Officina Meccanica di Sonico S.r.l.	1,102	1,041	1,183	1,150
Powertransmission.it S.r.l.	158	205	445	601
RO.SI S.r.l.	286	347	1,785	2,282
SIL.MAC. S.r.l.	2,601	2,165	10,915	10,449
S.I.Me. S.r.l.	294	298	939	561
STA.MA. S.r.l.	134	134	2,229	1,615
Talea S.r.l.	11,842	7,110	8,793	6,671
Other associates	780	976	523	123
	92,260	**120,295**	**99,218**	**83,485**
Other related parties:				
3-T S.r.l.	12	—	1,234	—
ATOP S.p.A.	—	3,983	—	—
Costal S.r.l.	—	—	1,192	1,559
Datalogic Automation S.r.l.	—	—	311	397
EPSOL S.r.l.	1,769	1,302	5,474	5,149
Erca S.A.S.	1,045	—	—	—
GASTI Verpackungsmaschinen GmbH	459	—	—	—
Hassia Verpackungsmaschinen GmbH	952	—	—	—
Hotminds S.r.l.	118	154	1,166	872
LPM.GROUP S.r.l.	58	77	5,780	5,352
Poggi & Associati	626	288	23	97
Timage S.r.l.	—	—	1,044	1,262
Other related parties	535	437	1,559	1,550
	5,574	**6,241**	**17,783**	**16,238**
Total	**108,650**	**130,219**	**117,001**	**99,723**

The following table details the main transactions carried out with related parties:

in thousands of euros	Revenues 2019	Revenues 2018	Costs 2019	Costs 2018
Associates and joint venture:				
Amherst Stainless Fabrication Llc	62	31	4,258	4,157
A.P.M. Assembly Pack. Mach. S.r.l.	36	—	1,982	—
ATOPbi S.p.A.	—	561	—	—
B.C. S.r.l.	441	286	5,824	6,114
Bacciottini F.lli S.r.l.	280	233	13,295	7,416
Bolognesi S.r.l.	282	243	5,957	5,875
Doo Officina-Game East Vrsac	137	109	1,059	950
Erca S.A.S.	—	2,104	—	285
GASTI Verpackungsmaschinen GmbH	—	1,520	—	(6)
Hassia Verpackungsmaschinen GmbH	—	2,728	—	159
I.E.M.A. S.r.l.	2,202	2,430	20,464	22,863
IMA Dairy & Food Holding GmbH	1,061	1,175	8,037	1,487
IMA Dairy & Food USA Inc.	—	578	—	6
LA.CO S.r.l.	200	199	3,408	3,610
Logimatic S.r.l.	8,218	6,127	33,636	27,912
Masterpiece S.r.l.	33	35	973	889
Meccanica Sarti S.r.l.	40	—	902	1,080
MORC 2 S.r.l.	271	231	6,525	2,162
O.M.S. Officina Meccanica Sonico S.r.l.	71	4	2,776	1,312
Powertransmission.it S.r.l.	33	32	926	1,084
RO.SI S.r.l.	97	—	2,224	847
SIL.MAC. S.r.l.	2,114	1,672	12,094	12,846
S.I.Me. S.r.l.	40	6	1,533	1,283
STA.MA. S.r.l.	152	165	2,567	1,987
Talea S.r.l.	1,592	855	5,400	4,773
Other associates and joint venture	58	46	1,492	1,308
	17,420	**21,370**	**135,332**	**110,399**
Other related parties:				
3-T S.r.l.	11	—	1,479	—
ATOP S.p.A.	1,985	5,680	—	—
Bonfiglioli Mechatronic S.p.A.	—	—	919	594
Costal S.r.l.	—	1	2,563	3,121
Datalogic Automation S.r.l.	—	—	625	747
Deltos S.r.l.	—	—	985	1,016
EPSOL S.r.l.	2,028	1,468	6,312	5,941
Erca S.A.S.	762	—	256	—
Hassia Verpackungsmaschinen GmbH	1,411	—	295	—
Hotminds S.r.l.	—	—	1,348	1,299
Ipercubo S.r.l.	—	1	30	428
Lopam S.r.l.	1	—	4	524
LPM.GROUP S.r.l.	103	169	7,197	6,217
Morosina S.p.A.	—	—	1,323	1,161
Nemo Investimenti S.r.l.	2	2	14	2,146
Timage S.r.l.	—	—	2,605	2,261
Verniciatura Ozzanese S.r.l.	4	2	519	530
Other related parties	1,011	52	1,630	842
	7,318	**7,375**	**28,104**	**26,827**
Total	**24,738**	**28,745**	**163,436**	**137,226**

In 2018 there was 3,109 thousand euros relating to rental costs attributable to other related parties; due to the adoption of IFRS 16, the costs for rentals from related parties in 2019 have been reversed.

These balances and transactions relate primarily to the Group's Italian companies. Transactions with associates are largely of a commercial nature. See Note 4 for further information.

Revenue from ATOP S.p.A. (company controlled since July 2019) EPSOL S.r.l., Erca S.A.S. and Hassia GmbH relate principally to the sale of commercial parts used in production.

The costs from EPSOL S.r.l. refer to the design and production of systems for automatic machines, the costs from LPM.GROUP S.r.l. mainly refer to protections for machinery and parts to drawings and the costs from Timage S.r.l. refer to the realization of technical documentation.

On 19 June 2019 IMA S.p.A. acquired a further 50% of CMRE S.r.l., a company based in Bologna, from related parties for 5,000 thousand euros, thus bringing its total stake in the company to 100%. The company is active in the real estate sector. The transaction was examined and approved by the specific committee as a transaction completed with a related party.

The table below provides a summary of the balance sheet items, including the main percentage:

in thousands of euros	Total at 31.12.2019	Of which related parties	% impact	Total at 31.12.2018	Of which related parties	% impact
Balance sheet:						
Fixed assets and right of use assets	1,187,810	10,081	0.8%	565,870	7,049	1.2%
Investments and financial assets	75,840	65,883	86.9%	100,414	91,771	91.4%
Other non-current assets	61,363	109	0.2%	53,377	100	0.2%
NON-CURRENT ASSETS	1,325,013	76,073	5.7%	719,661	98,920	13.7%
Trade and other receivables	480,556	19,231	4.0%	447,207	21,343	4.8%
Financial assets	18,240	2,530	13.9%	22,182	6,276	28.3%
Cash and cash equivalents	110,699	—	—	140,867	—	—
Income tax receivables	21,296	10,816	50.8%	9,810	3,680	37.5%
Other current assets	345,227	—	—	320,106	—	—
CURRENT ASSETS	976,018	32,577	3.3%	940,172	31,299	3.3%
TOTAL ASSETS	**2,301,031**	**108,650**	**4.7%**	**1,659,833**	**130,219**	**7.8%**
SHAREHOLDERS' EQUITY	504,880			420,934		
Borrowings and lease liabilities	664,122	—	—	283,281	—	—
Other non-current liabilities	281,591	—	—	176,631	—	—
NON-CURRENT LIABILITIES	945,713	—	—	459,912	—	—
Borrowings and lease liabilities	144,370	—	—	106,529	—	—
Trade and other payables	663,275	117,001	17.6%	636,351	99,723	15.7%
Income tax liabilities	12,935	—	—	7,368	—	—
Other current liabilities	29,858	—	—	28,739	—	—
CURRENT LIABILITIES	850,438	117,001	13.8%	778,987	99,723	12.8%
TOTAL EQUITY AND LIABILITIES	**2,301,031**	**117,001**	**5.1%**	**1,659,833**	**99,723**	**6.0%**

The increase in trade payables to associates reflects the Group's constant commitment in pursuing close collaboration with those suppliers that play a key role in production, also by considering the possibility of becoming shareholders in their companies.

The table below provides a summary of the income statement including transactions with related parties and the percentage impact:

in thousands of euros	2019	Of which related parties	% impact	2018	Of which related parties	% impact
Income statement:						
Revenue from contracts with customers	1,595,527	17,977	1.1%	1,500,371	22,499	1.5%
Other income and capitalized costs	40,187	2,294	5.7%	33,831	2,814	8.3%
Cost of raw materials and goods	(598,127)	(104,660)	17.5%	(555,378)	(79,997)	14.4%
Cost of services and leases	(324,112)	(48,981)	15.1%	(321,141)	(55,047)	17.1%
Other operating costs	(521,000)	(1,711)	0.3%	(447,626)	(1,505)	0.3%
OPERATING PROFIT	**192,475**			**210,057**		
Net financial income	79,696	1,065	1.3%	34,104	352	1.0%
Net financial expense	(43,118)	—	—	(34,642)	(15)	—
FINANCIAL INCOME AND EXPENSE	**36,578**			**(538)**		
PROFIT (LOSS) FROM INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD	**(4,682)**	**(4,682)**	100.0%	**2,419**	**2,419**	100.0%
Taxes	(54,728)	—	—	(61,180)	—	—
PROFIT FROM CONTINUING OPERATIONS	**169,643**			**150,758**		
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	**—**			**(26,165)**		
PROFIT FOR THE YEAR	**169,643**			**124,593**		

The table does not include the remuneration paid to directors, statutory auditors and managers with strategic responsibilities, which are detailed in the following paragraph.

Note that during 2019 there were no “more relevant transactions”, as defined in the Consob regulation, no individual Related Party transactions that could have had a significant influence over the companies’ balance sheet or results and no changes or developments in Related Party transactions explained in the last annual report that could have had a significant influence over the companies’ balance sheet or results.

Please refer to the section “Scope of consolidation” for detailed comments on the absorption of GIMA TT S.p.A. by IMA S.p.A. (“Merger”), communicated to the market on 11 June 2019 and approved by the Extraordinary Shareholders’ Meetings of the two companies on 8 August 2019.

The merger took effect on 5 November 2019, once the merger deed had been signed and registered with the Bologna Companies Register on 31 October 2019.

In relation to the Merger, the following is worth noting:

- as regards IMA S.p.A., the merger is exempt from the company procedure that regulates transactions with related parties, as it was a transaction carried out with a subsidiary in which there were no significant interests of other related parties;
- as regards GIMA TT S.p.A., the merger was considered a transaction with related parties that was not exempt from the company procedure, as it was concluded with the controlling shareholder. Moreover, from a size point of view, this operation was considered to be of “greater significance”. Consequently, the merger project was approved by the Board of Directors of GIMA TT S.p.A. subject to the reasoned favourable opinion of the committee consisting solely of unrelated independent directors of GIMA TT S.p.A. regarding the company’s interest in completing the transaction, as well as the convenience and substantial and procedural correctness of the terms and conditions of the merger of GIMA TT S.p.A. and IMA S.p.A., which was unanimously given on 10 June 2019.

Remuneration of Directors, Statutory Auditors and Managers with Strategic Responsibilities

We provide information concerning the remuneration paid. for any reason and in any form, to directors, statutory auditors of the Parent Company for carrying out their duties in other companies included in the consolidation:

in thousands of euros	2019	2018
Directors	6,212	9,188
Statutory Auditors	157	112
Total	**6,369**	**9,300**

The amount due to Directors includes fees for professional services as detailed in the Remuneration Report.

The following table reports the fees paid, for any reason and in any form, by the Company and by other Group companies to managers with strategic responsibilities:

in thousands of euros	2019	2018
Short-term benefits	3,194	3,158
Long-term benefits	998	1,181
Post-employment benefits	151	151
Fees for positions	4,584	6,699
Total	**8,927**	**11,189**

The managers with strategic responsibilities include three members of IMA's Board of Directors.

The details of remuneration paid to directors, statutory auditors and managers with strategic responsibilities is shown in the Remuneration Report.

34. Significant non-recurring transactions and events

Consob Communication DEM/6064293 of 28 July 2006 requires disclosures on significant events and transactions that are not recurring; in other words, on transactions or events that do not occur in the ordinary course of business.

During 2019, non-recurring charges classified in Services, rentals and leases for 7,406 thousand euros and in Personnel costs for 201 thousand euros mainly refer to the costs relating to the absorption of GIMA TT S.p.A. by IMA S.p.A. for 5,150 thousand euros, as commented in the "Scope of consolidation" section and to ancillary charges on the acquisitions made during the period for 1,697 thousand euros.

During 2018, non-recurring charges classified under Personnel costs for 2,089 thousand euros, Services, rentals and leases for 2,524 thousand euros and Other operating costs for 1,733 thousand euros mainly referred to reorganisation of the Ilapak business and ancillary charges on acquisitions made during the period.

35. atypical and/or unusual transactions

No significant atypical and/or unusual transactions or positions are reported.

36. Significant events after the close of the period

The main events subsequent to the year-end are the following:

- absorption by IMA S.p.A., with effect from 1 January 2020, of its direct or indirect subsidiaries GIMA S.p.A., G.S. Coating Technologies S.r.l., Mapster S.r.l. and Revisioni Industriali S.r.l.;
- absorption of O.A.SYS. S.r.l., a wholly-owned subsidiary, by Eurosicma S.p.A., which took effect from 1 January 2020;

- on 3 March 2020, the subsidiary TMC North America Inc. completed the acquisition of the residual 49% of the investment in Valley Tissue Packaging Inc. for an amount of 3,491 thousand US Dollars, after exercising the option envisaged in the contract.
- given the intensification of the COVID-19 emergency and the government's dictates contained in art. 106 of Decree Law 18 of 17 March 2020, the Board of Directors of IMA S.p.A. decided on 25 March 2020 that it was best to postpone the Ordinary Shareholders' Meeting, originally scheduled for 21 April 2020 at a single calling, to 10 June 2020. The proposed dividend of 2.0 euro per share will be due for payment from 17 June 2020, going ex-coupon (no. 27) on 15 June 2020 with 16 June 2020 as the record date. This Annual Report incorporates these changes. For further information, see the press release of 25 March 2020 available on the website www.ima.it.

H) EQUITY INVESTMENTS INCLUDED IN THE SCOPE OF CONSOLIDATION AND METHOD USED

Companies consolidated line-by-line	Registered office		Share capital	Currency	Direct investment	Indirect investment
Industrial and service companies:						
- I.M.A. Industria Macchine Automatiche S.p.A.	Ozzano dell'Emilia	Bologna - Italy	22,470,504.68	EUR	Parent company	
- ATOPS.p.A.	Barberino Tavarnelle	Florence - Italy	208,000	EUR	90.984%(1)	—
- CiemmeS.r.l.	Albavilla	Como- Italy	100,000	EUR	100%(2)	—
- Claren Cutting Service S.r.l.	Calderaradi Reno	Bologna - Italy	100,000	EUR	—	100%(3)
- CO.MA.DI.S. S.p.A.	Senago	Milan - Italy	1,540,000	EUR	100%	—
- CorazzaS.p.A.	Bologna	Bologna - Italy	15,675,000	EUR	100%	—
- Eurosicma - Costruzioni Macchine AutomaticheS.p.A.	Milan	Milan - Italy	700,000	EUR	100%(4)	—
- EuroteknaS.r.l.	Milan	Milan - Italy	32,243	EUR	—	85.71%(5)
- GIMA S.p.A.	Zola Predosa	Bologna - Italy	1,000,000	EUR	100%	—
- G.S. CoatingTechnologiesS.r.l.	Castel San Pietro T.	Bologna - Italy	100,000	EUR	100%	—
- Ilapak Italia S.p.A.	Foiano della Chiana	Arezzo - Italy	4,074,000	EUR	—	81%(6)
- Mapster S.r.l.	Collecchio	Parma - Italy	10,000	EUR	—	100%(7)
- O.A.SYS. Open Automation System S.r.l.	Segrate	Milan - Italy	20,800	EUR	—	100%(5)
- Perfect Pack S.r.l.	Rimini	Rimini - Italy	20,800	EUR	100%(8)	—
- Petroncini Impianti S.p.A.	Modena	Modena - Italy	120,000	EUR	—	80%(7)
- Pharmasiena Service S.r.l.	Siena	Siena- Italy	100,000	EUR	70%	—
- Revisioni Industriali S.r.l.	Ozzano dell'Emilia	Bologna - Italy	100,000	EUR	100%	—
- Spares& More S.r.l.	Gallicano	Lucca - Italy	10,848	EUR	—	100%(9)
- Spreafico Automation S.r.l.	Calolziocorte	Lecco - Italy	200,000	EUR	100%(10)	—
- Teknoweb Converting S.r.l.	Palazzo Pignano	Cremona - Italy	1,000,000	EUR	100%(11)	—
- Telerobot S.p.A.	Alessandria	Alessandria- Italy	50,000	EUR	—	100%(7)
- Tissue Machinery Company S.p.A.	Castel Guelfo	Bologna - Italy	8,000,000	EUR	100%(12)	—
- ATOP(Shanghai) Electrical Equipment Co.Ltd.	Shanghai	PRC	—	EUR	—	100%(13)
- Benhil GmbH	Neuss	Germany	5,500,000	EUR	100%	—
- Delta Systems& Automation Llc	Lowell	USA	1,000	USD	—	100%(14)
- Hassia Packaging Pvt . Ltd.	Taluka Shirur	India	42,000,000	INR	100%	—
- Ilapak International SA	Collina d'Oro Lugano	Switzerland	4,000,000	CHF	—	81%(15)
- Ilapak (Beijing) Packaging Machinery Co. Ltd.	Beijing	PRC	3,000,000	USD	—	81%(16)
- IMA Automation Malaysia Sdn. Bhd.	Penang	Malaysia	3,000,000	MYR	—	100%(7)
- IMA Automation USA Inc.	Loves Park	USA	10,610,000	USD	—	100%(14)
- IMA Life(Beijing) Pharmaceutical Systems Co. Ltd.	Beijing	PRC	400,000	USD	100%	—
- IMA Life(Shanghai) Pharmaceutical Mach. Co.Ltd.	Shanghai	PRC	5,250,000	RMB	—	86.29%(17)
- IMA Life North AmericaInc.	Tonawanda	USA	100	USD	—	100%(14)
- IMA Life The NetherlandsB.V.	Dongen	The Netherlands	22,382,654(*)	EUR	100%	—
- IMA MAI S.A.	Mar del Plata	Argentina	1,711,466	ARS	100%(18)	—
- IMA Medtech Switzerland SA	La Chaux de Fonds	Switzerland	13,250,000	CHF	—	100%(7)
- IMA North America Inc.	Leominster	USA	8,052,500	USD	—	100%(14)
- IMA-PG India Pvt . Ltd.	Mumbai	India	17,852,100	INR	100%	—
- IMA Swiftpack Ltd.	Alcester	UK	1,403,895	GBP	100%	—
- Tianjin IMA Machinery Co. Ltd.	Tianjin	PRC	200,000	USD	100%	—
- Tecmar S.A.	Mar del Plata	Argentina	692,500	ARS	100%(19)	—
- Valley Tissue Packaging Inc.	Kaukauna	USA	3,645	USD	—	100%(20)

(*) The nominal share capital of IMA Life The Netherlands B.V. and ATOP (Shanghai) Electrical Equipment Co. Ltd. amounts to Eur 45,400,000 and Eur 200,000 respectively.

Companiesconsolidated line-by-line (continued)	Registered office		Share capital	Currency	Direct investment	Indirect investment
Commercial companies:						
- Asset Management Service S.r.l.	Castel Guelfo	Bologna-Italy	500,000	EUR	—	100%(21)
- Ilapak do Brasil Ltda. (in liquidation)	Sao Paulo	Brazil	8,219,229	BRL	—	81%(15)
- Ilapak France SA	Lognes Paris	France	105,130	EUR	—	81%(6)
- Ilapak Inc.	Newtown	USA	12,500	USD	—	81%(6)
- Ilapak Israel Ltd.	Caesarea	Israel	5,310,505	ILS	—	81%(6)
- Ilapak Ltd.	Uxbridge London	UK	795,536	GBP	—	81%(6)
- Ilapak SNG OOO	Moscow	Russia	1,785,700	RUB	—	81%(6)
- Ilapak Sp. Z o.o.	Krakow	Poland	3,740,400	PLN	—	81%(6)
- Ilapak Verpackungsmaschinen GmbH	Haan Duesseldorf	Germany	102,500	EUR	—	81%(6)
- IMA Est GmbH	Vienna	Austria	280,000	EUR	100%	—
- IMA France E.u.r.l.	Rueil Malmaison	France	45,735	EUR	100%	—
- IMA Fuda (Shanghai) Packaging Machinery Co. Ltd.	Shanghai	PRC	6,000,000	RMB	80%	—
- IMA Germany GmbH	Cologne	Germany	90,000	EUR	100%	—
- IMA Iberica Processing and Packaging S.L.	Barcelona	Spain	590,000	EUR	100%	—
- IMA Industries GmbH (in liquidation)	Frankfurt am Main	Germany	100,000	EUR	100%	—
- IMA Life Japan KK	Tokyo	Japan	40,000,000	YEN	—	100%(22)
- IMA Pacific Co.Ltd.	Bangkok	Thailand	132,720,000	THB	99.99%	—
- IMA Packaging & Processing Equipment (Beijing) Co. Ltd.	Beijing	PRC	2,350,000	USD	100%	—
- IMA Packaging Technology India Pvt. Ltd.	Thane	India	10,000,000	INR	100%	—
- IMA UK Ltd.	Alcester	UK	1	GBP	—	100%(23)
-Imautomatiche Do Brasil Ltda.	Sao Paulo	Brazil	6,651,600	BRL	99.98%	—
- OOO IMA Industries	Moscow	Russia	12,000,000	RUB	—	100%(24)
-Petroncini International Trading (Shanghai) Co. Ltd.	Shanghai	PRC	300,000	RMB	—	80%(25)
-Teknoweb N.A. Llc	Loganville Atlanta	USA	56,000	USD	—	75%(26)
-TMC Do Brasil Industria de Maquinariose Servicos Ltda.	Valinhos	Brazil	678,405	BRL	—	100%(21)
-TMC North America Inc.	Appleton	USA	100,000	USD	—	100%(21)
Financial companies:						
- Luna Investment SA	Lugano	Switzerland	100,000	CHF	—	81%(15)
- Packaging Systems HoldingsInc.	Wilmington	USA	1,000 USD		100%	—
- Tekno NA Inc.	Atlanta	USA	50,000 USD		—	100%(27)
- Transworld Packaging Holding S.p.A.	Ozzano dell'Emilia	Bologna-Italy	64,833	EUR	81%	—
Other companies:						
- CMRE S.r.l.	Bologna	Bologna-Italy	50,000	EUR	100%	—
- Digidoc S.r.l.	Ozzano dell'Emilia	Bologna-Italy	10,000	EUR	—	80%(28)
- Dreamer S.r.l. (in liquidation)	Bologna	Bologna-Italy	100,000	EUR	—	100%(7)
- Packaging Manufacturing Industry S.r.l.	Castenaso	Bologna-Italy	110,000	EUR	100%	—
- Società del Sole S.r.l.	Ozzano dell'Emilia	Bologna-Italy	10,000	EUR	100%	—

Note:

(1) The percentage interest held in ATOP S.p.A. includes an option to purchase 6.819% of the quota capital

(2) The percentage interest held in Ciemme S.r.l. includes an option to purchase 30% of the quota capital

(3) Held by Spare & More S.r.l.

(4) The percentage interest held in Eurosicma S.p.A. includes an option to purchase 40% of the quota capital

(5) Held by Eurosicma S.p.A.

(6) Held by Ilapak International SA at 100% except Ilapak France SA held at 99.99%

(7) Held by GIMA S.p.A.

(8) The percentage interest held in Perfect Pack S.r.l. includes an option to purchase 40% of the quota capital

(9) Held by Tissue Machinery Company S.p.A. at 80%. The percentage interest held in Spare & More S.r.l. includes an option to purchase 20% of the quota capital

(10) The percentage interest held in Spreafico Automation S.r.l. includes an option to purchase 30% of the quota capital
(11) The percentage interest held in Teknoweb Converting S.r.l. includes an option to purchase 40% of the quota capital
(12) The percentage interest held in Tissue Machinery Company S.p.A. includes an option to purchase 17.5% of the quota capital
(13) Held by ATOP S.p.A. at 100%
(14) Held by Packaging Systems Holding Inc.
(15) Held by Transworld Packaging Holding S.p.A. at 100%
(16) Held by Ilapak Italia S.p.A. at 100%
(17) Held by IMA Life (Beijing) Ph. Systems Co. Ltd.
(18) The percentage interest held in IMA MAI S.A. includes an option to purchase 30% of the quota capital
(19) The percentage interest held in Tecmar S.A. includes an option to purchase 38.55% of the quota capital
(20) Held by TMC North America Inc. at 51%. The percentage interest includes an option to purchase 49% of the quota capital
(21) Held by Tissue Machinery Company S.p.A.
(22) Held by IMA Life The Netherlands B.V.
(23) Held by IMA Swiftpack Ltd.
(24) Held by Corazza S.p.A.
(25) Held by Petroncini Impianti S.p.A. at 100%
(26) Held by Tekno NA Inc.
(27) Held by Teknoweb Converting S.r.l.
(28) Held by Packaging Manufactoring Industry S.r.l.

Investment accounted for sing the equity method	Registered office		Share capital	Currency	Direct investment
- Amherst Stainless Fabrication LLC	Amherst NY	USA	1,100,000	USD	20%(1)
- A.P.M. Assembly Pack. Mach. S.r.l.	Castel Bolognese	Ravenna-Italy	100,000	EUR	32%(2)
- B.C.S.r.l.	Imola	Bologna-Italy	36,400	EUR	30%
- Bacciottini F.lli S.r.l.	Oste Montemurlo	Prato-Italy	60,000	EUR	30%(2)
- BLQ S.r.l.	Castel Guelfo	Bologna-Italy	30,000	EUR	30%(2)
- Bolognesi S.r.l.	Dozza	Bologna-Italy	10,920	EUR	30%(2)
- CAIMA S.r.l.	Monghidoro	Bologna-Italy	10,000	EUR	20%(2)
- Ciemme Engineering S.r.l.	Albavilla	Como- Italy	100,000	EUR	40%(3)
- Doo Officina-Game East Vrsac	Vrsac	Serbia	130,474,863	RSD	49%(2)
- FID S.r.l. Impresa Sociale	Bologna	Bologna-Italy	20,000	EUR	30%
- I.E.M.A. S.r.l.	S.Giorgio di Piano	Bologna-Italy	100,000	EUR	30%(2)
- IMA Dairy & Food Holding GmbH	Ranst adt	Germany	25,000	EUR	40%
- Inkbit Llc	Delaware	USA	2,407	USD	21.1%
- LA.CO S.r.l.	Ozzano dell'Emilia	Bologna-Italy	30,000	EUR	30%(2)
- Logimatic S.r.l.	Ozzano dell'Emilia	Bologna-Italy	120,000	EUR	29.17%(2)
- Masterpiece S.r.l.	Ozzano dell'Emilia	Bologna-Italy	10,000	EUR	30%(2)
- Meccanica Sarti S.r.l.	Bologna	Bologna-Italy	102,000	EUR	30%(2)
- Me.Mo. S.r.l.	Gaggio Montano	Bologna-Italy	10,000	EUR	20%(2)
- MORC 2 S.r.l.	Faenza	Ravenna-Italy	20,800	EUR	20%(2)
- OLTRE S.r.l.	Ozzano dell'Emilia	Bologna-Italy	50,000	EUR	30%(2)
- OMEGA S.r.l.	Castel Guelfo	Bologna-Italy	10,000	EUR	20%(2)
- O.M.S. Officina Meccanica Sonico S.r.l.	Sonico	Brescia-Italy	31,200	EUR	40%(2)
- Powertransmission.it S.r.l.	Cast enaso	Bologna-Italy	50,000	EUR	20%(2)
- RO.SI S.r.l.	Bentivoglio	Bologna-Italy	10,000	EUR	20.8%(2)
- Scriba Nanotecnologie S.r.l.	Bologna	Bologna-Italy	25,556	EUR	24.9%
- SIL.MAC. S.r.l.	Gaggio Montano	Bologna-Italy	90,000	EUR	30%(2)
- S.I.Me. S.r.l.	Granarolo dell'Emilia	Bologna-Italy	125,000	EUR	39.2%(2)
- STA.MA. S.r.l.	Ozzano dell'Emilia	Bologna-Italy	10,400	EUR	30%(2)
- Talea S.r.l.	Castel Guelfo	Bologna-Italy	25,000	EUR	20%(2)
- Sirio S.p.A. Associazione in part ecipazione	Milan	Milan-Italy			

Note:

(1) Held by IMA Life North America Inc.
(2) Held by Packaging Manufacturing Industry S.r.l.
(3) Held by Ciemme S.r.l.

I) DISCLOSURE REQUIRED UNDER ARTICLE 149-DUODECIES OF THE CONSOB ISSUERS' REGULATION

The following table shows the fees in 2019 for auditing services and services other than auditing, relating to auditing of the non-financial report required by Directive 2014/95/EU, additional activities carried out in this regard for verification of the opening balances of ATOP S.p.A. Spreafico Automation S.r.l., Perfect Pack S.r.l., Spares & More S.r.l. and Claren S.r.l., R&D receivables, rendered by the same audit firm:

in thousandsof euros	Servicerendered by	To	Fees
Audit	EY S.p.A.	Parent company IMA S.p.A.	305
	EY S.p.A.	Subsidiary companies	707
	EYnetwork	Subsidiary companies	335
Other services rendered in connection with thereview	EY S.p.A.	Parent company IMA S.p.A.	75
	EY S.p.A.	Subsidiary companies	93
Other services	EYnetwork	Subsidiary companies	17
Total			**1,532**

Claren S.r.l., R&D receivables, rendered by the same audit firm:

Certification of the consolidated financial statements pursuant to art. 81-ter of Consob regulation no. 11971 of 14 May 1999, as amended

I.M.A. INDUSTRIA MACCHINE AUTOMATICHE S.P.A. AND SUBSIDIARIES

(The consolidated financial statements have been translated from the original Italian into English solely for the convenience of international readers)

Certification of the consolidated financial statements pursuant to Art. 81-ter of Consob Regulation no. 11971 of 14 May 1999, as amended

The undersigned, Alberto Vacchi, Chairman and Managing Director, and Sergio Marzo, the executive responsible for preparing the financial reports of I.M.A. Industria Macchine Automatiche S.p.A. certify, having regard for the requirements of Art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:

- the appropriateness with regard to the characteristics of the Company and
- the effective application of the administrative and accounting procedures in preparing the consolidated financial statements for the period January-December 2019

It is also certified that:

1) the consolidated financial statements:

   a) have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002;

   b) correspond to the entries in the accounting books and records;

   c) provide a true and fair view of the performance and financial position of the issuer and the companies included in the scope of consolidation.

2) the report on operations includes a reliable analysis of the business and the performance and financial position of the issuer and the companies included in the scope of the consolidation, together with a description of the risks and uncertainties to which they are exposed.

Ozzano dell'Emilia (BO), 12 March 2020

Managing Director
financial reports

Manager responsible for preparing

Alberto Vacchi

Sergio Marzo

Report of the independent auditors at 31 December 2019

I.M.A. INDUSTRIA MACCHINE AUTOMATICHE S.P.A. AND SUBSIDIARIES

(The consolidated financial statements have been translated from the original Italian into English solely for the convenience of international readers)

I.M.A. Industria Macchine Automatiche S.p.A.

Consolidated financial statements at December 31, 2019

Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated January 27, 2010, and article 10 of EU Regulation n. 537/2014

EY S.p.A.
Via Massimo D'Azeglio, 34
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Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014 (Translation from the original Italian text)

To the Shareholders of
I.M.A. Industria Macchine Automatiche S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of I.M.A. Industria Macchine Automatiche S.p.A. and its subsidiaries ("I.M.A. Group or "Group"), which comprise the statement of financial position at December 31, 2019, the income statement, the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued to implement article 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of I.M.A. Industria Macchine Automatiche S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matters	Audit Responses
Valuation of goodwill At December 31, 2019 the carrying amount of goodwill, reported in line item Intangible Assets of the financial statements, amounts to Euro 478.4 million allocated to different Cash Generating Units (CGUs) which are tested for impairment annually, or more frequently if indications of impairment exist. The processes and methodologies applied to evaluate and determine the recoverable amount of each CGU, in terms of value in use, are based on complex assumptions that, due to their nature, imply the use of management's judgment, in particular with reference to the forecasted cash flows for the period 2020-2022, the normalized cash flows used to estimate terminal value and the discount and long term growth rates applied. Considering the level of judgment and complexity of the assumptions applied in estimating the recoverable amount of goodwill, we determined that this item represents a key audit matter. The disclosures relating to the valuation of goodwill are included in note 3 "*Intangible assets"* of the financial statements, as well as in section *C)* "*Accounting policies and accounting standards applied*" under paragraphs "*Intangible assets*", "*Impairment of assets*" and "*Use of estimates and assumptions*".	Our audit procedures relating to this key audit matter included, among others: • assessing the processes and key controls implemented by the Group in relation to the valuation of goodwill; • validating the proper identification of the CGUs by management and the allocation of the carrying values of assets and liabilities to each CGU; • assessing the cash flow forecasts; • validating the allocation of the forecasted cash flows to each CGU in the Group business plan for the period 2020-2022; • assessing the accuracy of the cash flow forecasts as compared to the historical cash flows of the prior years; • assessing long-term growth rates and discount rates. In our analysis we involved EY valuation specialists who performed their independent valuation and sensitivity analyses on key assumptions to determine any changes that could materially impact the valuation of the recoverable amount. Lastly, we verified the adequacy of the disclosures provided in the notes to the financial statements in relation to the valuation of goodwill.
Revenue recognition and valuation of contract assets and liabilities of contract work The financial statements include Euro 821.5 million of revenue from contract work, and related contract assets and liabilities for Euro 236.7 million and Euro 30.8 million, respectively. Such revenues and margins from contract work are recognized on the stage-of-completion basis applying the "cost-to-cost method", which is based on the ratio of actual costs incurred for work performed to date on the estimated total costs to complete the contract. The procedures and application for revenue recognition, and for the valuation of contract assets and liabilities of	Our audit procedures in response to the key audit matter included, among others: • the assessment of the procedures and controls performed by the Group during the planning and monitoring of contracts, including the assessment of revenue recognition criteria; • the assessment, with reference to key projects, of the key assumptions used in forecasting total costs to complete the contracts and to determine total revenue,

Key Audit Matters	Audit Responses
contract work, are based on complex assumptions that, due to their nature, imply the use of management's judgment, in particular with reference to the estimated costs to complete each project and changes in estimates compared to the previous year, if any. Such changes could be influenced by multiple factors such as, for example, the timeframe required to develop and complete the projects, the high technological and innovative content, the possible presence of price variances and price adjustments, and the performance guarantees of the machines, including the estimation of contractual risks, if any. Considering the economic and financial significance of contract work and the complexity of the assumptions used in forecasting total costs of the contracts, in addition to the potential impact of the changes in estimates, we considered that this item represents a key audit matter. The disclosures relating to revenue recognition and valuation of contract assets and liabilities are included in note 10 "*Trade receivables and other receivables and contract assets*", in note 18 "*Trade payables and other payables and contract liabilities*", as well as in section *C)* "*Accounting policies and accounting standards applied*" under paragraphs "*Revenue from contracts with customers*" and "*Use of estimates and assumptions*".	through testing the project progress reports, contractual supporting documentation and interviews of project managers; • the comparative analysis of the main changes in contracts' results as compared to the original budget or the previous year estimates; • the assessment of the assumptions that required significant management judgments, such as, for example, those related to the forecasting of costs related to projects with high technological and innovative content; • the execution, on a sample basis, of substantive procedures on contract costs incurred; • the testing of the mathematical accuracy of the calculation of the projects' percentage of completion. Lastly, we verified the adequacy of the disclosures provided in the notes to the financial statements in relation to revenue recognition and to the evaluation of contract assets and liabilities.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company I.M.A. Industria Macchine Automatiche S.p.A. or to cease operations, or have no realistic alternative but to do so.

The Board of Statutory Auditors ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; designed and performed audit procedures responsive to those risks and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to Article 10 of EU Regulation n. 537/14

The shareholders of I.M.A. Industria Macchine Automatiche S.p.A., in the general meeting held on April 24, 2013, engaged us to perform the audits of the consolidated financial statements for each of the years ending December 31, 2013 to December 31, 2021.

We declare that we have not provided any prohibited non-audit services, referred to in article 5, paragraph 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to Board of Statutory Auditors (Collegio Sindacale) in their capacity as audit committee, prepared in accordance with article 11 of the EU Regulation n. 537/2014.

Report on compliance with Other Legal and Regulatory Requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998[1]

The Directors of I.M.A. Industria Macchine Automatiche S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of I.M.A. Group at December 31, 2019, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998, with the consolidated financial statements of I.M.A. Group at December 31, 2019 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of I.M.A. Group at December 31, 2019 and comply with the applicable laws and regulations.

With reference to the statement required by article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

[1] The Report on Operations and of the Report on Corporate Governance and Ownership Structure of I.M.A. Group at December 31, 2019 are not included in this Offering Memorandum

EY

Building a better working world

Statement Pursuant to Article 4 of Consob Regulation Implementing Legislative Decree n. 254, dated December 30, 2016

The Directors of I.M.A. Industria Macchine Automatiche S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated December 30, 2016. We have verified that non-financial information has been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated December 30, 2016, such non-financial information is subject to a separate compliance report signed by us.

Bologna, March 27, 2020

EY S.p.A.
Signed by: Marco Mignani, Auditor

This report has been translated into the English language solely for the convenience of international readers.

Consolidated financial statements at 31 December 2018

I.M.A. INDUSTRIA MACCHINE AUTOMATICHE S.P.A. AND SUBSIDIARIES

(The consolidated financial statements have been translated from the original Italian into English solely for the convenience of international readers)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(THOUSANDS OF EUROS)

ASSETS	Note	31 December 2018	31 December 2017
NON-CURRENT ASSETS			
Property, plant and equipment	2	111,890	95,092
Intangible assets	3	453,980	362,162
Investments accounted for using the equity method	4	52,909	40,325
Financial assets	5	47,505	4,969
Receivables from others	6	4,151	3,433
Deferred tax assets	8	49,226	67,879
TOTAL NON-CURRENT ASSETS		719,661	573,860
CURRENT ASSETS			
Inventories	9	319,724	309,693
Trade and other receivables	10	257,712	232,390
Contract assets	10	189,495	156,942
Income tax receivables	11	9,810	9,396
Financial assets	5	22,182	17,946
Derivative financial instruments	7	382	173
Cash and cash equivalents	12	140,867	206,681
TOTAL CURRENT ASSETS		940,172	933,221
TOTAL ASSETS		**1,659,833**	**1,507,081**

EQUITY AND LIABILITIES	Note	31 December 2018	31 December 2017
EQUITY			
Share capital		20,415	20,415
Reserves and retained earnings		272,589	263,210
Profit for the year		104,032	85,590
Equity attributable to equity holders of the parent	13	397,036	369,215
Non-controlling interests	14	23,898	21,309
TOTAL EQUITY		420,934	390,524
NON-CURRENT LIABILITIES			
Borrowings	15	283,281	167,480
Employee defined benefit liabilities	16	34,664	55,961
Provisions for risks and charges	17	4,654	5,814
Other payables	18	74,753	35,266
Derivative financial instruments	7	3,771	1,943
Deferred tax liabilities	8	58,789	61,528
TOTAL NON-CURRENT LIABILITIES		459,912	327,992
CURRENT LIABILITIES			
Borrowings	15	106,529	108,459
Trade and other payables	18	462,496	469,678
Contract liabilities	18	173,855	166,061
Income tax liabilities	11	7,368	11,574
Provisions for risks and charges	17	27,394	32,585
Derivative financial instruments	7	1,345	208
TOTAL CURRENT LIABILITIES		778,987	788,565
TOTAL LIABILITIES		1,238,899	1,116,557
TOTAL EQUITY AND LIABILITIES		**1,659,833**	**1,507,081**

THE EFFECTS OF TRANSACTIONS WITH RELATED PARTIES ON THE ITEMS IN THE CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION ARE SHOWN IN NOTE 33 – RELATED-PARTY TRANSACTIONS.

CONSOLIDATED INCOME STATEMENT

(THOUSANDS OF EUROS)

	Note	2018	2017 RESTATED
REVENUE FROM CONTRACTS WITH CUSTOMERS	1	1,500,371	1,320,198
OTHER REVENUE	19	33,831	26,551
OPERATING COSTS			
Change in work in progress, semifinished and finished goods		(6,076)	14,673
Change in inventory of raw, ancillary and consumable materials		10,628	5,345
Cost of raw, ancillary and consumable materials and goods for resale	20	(555,378)	(481,443)
Services, rentals and leases	21	(321,141)	(294,285)
Personnel costs	22	(394,842)	(362,270)
Depreciation, amortization and write-downs	23	(44,078)	(33,402)
Provisions for risks and charges		(92)	(583)
Other operating costs	24	(13,166)	(8,969)
TOTAL OPERATING COSTS		(1,324,145)	(1,160,934)
- of which: effect of non-recurring items	34	*(6,346)*	*(5,372)*
OPERATING PROFIT	1	210,057	185,815
- of which: effect of non-recurring items	34	*(6,346)*	*(5,372)*
FINANCIAL INCOME AND EXPENSE			
Financial income	25	34,104	26,584
Financial expense	26	(34,642)	(41,850)
TOTAL FINANCIAL INCOME AND EXPENSE		(538)	(15,266)
PROFIT (LOSS) FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		2,419	1,281
PROFIT BEFORE TAXES		211,938	171,830
TAXES	27	(61,180)	(52,392)
NET PROFIT FROM CONTINUING OPERATIONS		**150,758**	**119,438**
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS/DISPOSAL GROUPS	28	(26,165)	(20,013)
PROFIT FOR THE YEAR		**124,593**	**99,425**
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE PARENT		104,032	85,590
NON-CONTROLLING INTERESTS		20,561	13,835
		124,593	**99,425**
BASIC/DILUTED EARNINGS PER SHARE(in euros)	**29**	**2.65**	**2.18**
- of which from continuing operations		3.32	2.69
- of which from discontinued operations/disposal groups		(0.67)	(0.51)

THE EFFECTS OF TRANSACTIONS WITH RELATED PARTIES ON THE CONSOLIDATED INCOME STATEMENT ARE SHOWN IN NOTE 33 – RELATED-PARTY TRANSACTIONS.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(THOUSANDS OF EUROS)

	Note	2018	2017
Net profit for the year		124,593	99,425
Other comprehensive income to be reclassified to profit or loss in subsequent year:			
Exchange rate gains (losses) on the translation of foreign currency financial statements		(104)	(10,269)
Gains (losses) on financial assets measured at FVOCI	13	540	226
Gains (losses) on cash flow hedges	13	(2,573)	995
Tax effect		491	(285)
Net other comprehensive income to be reclassified to profit or loss in subsequent year		**(1,646)**	**(9,333)**
Other comprehensive income not being reclassified to profit or loss in subsequent year:			
Actuarial gains (losses) on post employment benefit obligations	13	569	1,625
Tax effect		(86)	(615)
Net other comprehensive income not being reclassified to profit or loss in subsequent year		**483**	**1,010**
Gains and losses recognized in equity		**(1,163)**	**(8,323)**
Total comprehensive income		**123,430**	**91,102**
Attributable to:			
Equity holders of the parent		102,849	77,316
Non-controlling interests		20,581	13,786
		123,430	**91,102**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(THOUSANDS OF EUROS)

	Share capital	Share premium reserve	Treasury shares	Translation reserve	Fair value reserve	Other reserves and retained earnings	Profit attributable to equity holders of the parent	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at 01.01.2017	**20,415**	**122,818**	**(71)**	**9,459**	**(2,213)**	**11,593**	**93,536**	**255,537**	**14,647**	**270,184**
Distribution of dividends	—	—	—	—	—	—	(62,807)	(62,807)	(10,583)	(73,390)
Allocation of earnings for 2016	—	—	—	—	—	30,729	(30,729)	—	—	—
Change of non-controlling interests	—	—	—	—	—	99,169	—	99,169	3,459	102,628
Total comprehensive income	—	—	—	(10,187)	889	1,024	85,590	77,316	13,786	91,102
Balance at 31.12.2017	**20,415**	**122,818**	**(71)**	**(728)**	**(1,324)**	**142,515**	**85,590**	**369,215**	**21,309**	**390,524**
Monetary revaluation by hiperinflation	—	—	—	—	—	687	—	687	—	687
Distribution of dividends	—	—	—	—	—	—	(66,733)	(66,733)	(17,204)	(83,937)
Allocation of earnings for 2017	—	—	—	—	—	18,857	(18,857)	—	—	—
Purchase and sale of treasury shares	—	—	(5,518)	—	—	—	—	(5,518)	—	(5,518)
Change of non-controlling interests	—	—	—	—	—	(3,464)	—	(3,464)	(788)	(4,252)
Total comprehensive income	—	—	—	78	(1,561)	300	104,032	102,849	20,581	123,430
Balance at 31.12.2018	**20,415**	**122,818**	**(5,589)**	**(650)**	**(2,885)**	**158,895**	**104,032**	**397,036**	**23,898**	**420,934**

AS REGARDS THE ITEMS IN CONSOLIDATED EQUITY, SEE NOTES 13 AND 14.

CONSOLIDATED STATEMENT OF CASH FLOWS

(THOUSANDS OF EUROS)

	Note	31 December 2018	31 December 2017
OPERATING ACTIVITIES			
Net profit from continuing operations		130,197	105,603
Profit (loss) from discontinued operations/disposal groups	28	(26,165)	(20,013)
Profit attributable to equity holders of the parent		104,032	85,590
Adjustments for:			
- Depreciation and amortization		52,599	40,038
- of which from continuing operations	23	*43,571*	—
- (Writebacks) or write-downs of non-current assets	23	—	2,011
- Capital (gains) losses on disposal of non-current assets	19-24	43	(1,281)
- Fair value remeasurement of the interest held in Petroncini Impianti S.p.A.		(11,625)	—
- Changes in provisions for risks and charges and employee defined benefit liabilities		4,995	(1,079)
- Unrealized losses (gains) on exchange rate differences	26	(2,554)	3,004
- Other changes		(842)	(882)
- Taxes	27	60,055	51,159
- Capital gain from discontinued operations	28	(5,578)	—
- Non-controlling interests		20,561	13,835
- Result from investments accounted for using the equity method		(2,419)	(1,281)
Operating profit before changes in working capital		219,267	191,114
(Increase) decrease in trade and other receivables, including contracts assets	10	(78,867)	(21,581)
(Increase) decrease in inventories	9	(5,275)	(20,575)
Increase (decrease) in trade and other payables, including contracts liabilities	18	52,114	24,551
Taxes paid		(66,717)	(58,424)
CASH FLOW PROVIDED BY OPERATING ACTIVITIES(A)		120,522	115,085
INVESTING ACTIVITIES			
Investments in property, plant and equipment		(36,511)	(21,134)
- of which from continuing operations	2	*(35,663)*	—
Investments in intangible assets		(24,944)	(20,134)
- of which from continuing operations	3	*(22,062)*	—
Acquisition business divisions/companies	30	(75,124)	(26,283)
Definition of amounts paid for acquisitions		(1,300)	(3,826)
Purchase of investments	4	(1,487)	(18,508)
Sale of subsidiaries and joint venture		389	—
Sale of non-current assets		770	2,874
Other changes		1,096	(4,437)
CASH FLOW USED IN INVESTING ACTIVITIES(B)		(137,111)	(91,448)
FINANCING ACTIVITIES			
Granting of loans	15	172,113	1,186
Repayment of borrowings	15	(103,940)	(49,144)
Bonds	15	(5,229)	(5,229)
Repayment of finance lease debts		(2,313)	(225)
Increase (decrease) in other financial payables		40,672	19,001
Change in non-controlling interests	14	(4,252)	103,641
Consideration for excercise of option on non-controlling interests		(4,327)	—
Net change in financial assets and other non-current receivables		(44,778)	(5,537)
Dividends paid to equity holders of the parent	13	(66,733)	(62,807)
Dividends paid to non-controlling interests	14	(17,204)	(10,583)
(Purchase) and sale of treasury shares	13	(5,518)	—
Payment of interest		(8,000)	(8,439)
Receipt of interest		284	99
CASH FLOW USED IN FINANCING ACTIVITIES(C)		(49,225)	(18,037)
NET CHANGE IN CASH AND CASH EQUIVALENTS(D =A+B+C)		**(65,814)**	**5,600**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR(E)	12	**206,681**	**201,081**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR(F=D+E)	12	**140,867**	**206,681**

Notes to the Consolidated Financial Statements at 31 December 2018

I.M.A. INDUSTRIA MACCHINE AUTOMATICHE S.P.A. AND SUBSIDIARIES

(The consolidated financial statements have been translated from the original Italian into English solely for the convenience of international readers)

A) OVERVIEW

IMA Group is a world leader in the design and production of automatic machines for the processing and packaging of pharmaceuticals, cosmetics, tea, coffee, tobacco and other food products.

The Parent Company of the IMA Group is I.M.A. Industria Macchine Automatiche S.p.A. (IMA, IMA S.p.A. or the “Parent Company”), with registered offices at Via Emilia 428/442, Ozzano dell’Emilia (Bologna), and is listed on the electronic stock exchange of Borsa Italiana S.p.A. in the “S.T.A.R.” segment.

At 31 December 2018, IMA S.p.A. is 56.789% held by SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A. (57% at 31 December 2017), which is a subsidiary of Lopam Fin S.p.A. The latter, with registered office in Via Tosarelli 184, Castenaso (Bologna), draws up consolidated financial statements for a majority of the companies in the Group. These consolidated financial statements are available at the Bologna company register.

IMA S.p.A. has dealings mainly of a commercial nature with the Group’s manufacturing companies, involving the purchase and sale of machines required for the assembly of complete product lines. It also provides these companies with services. IMA’s dealings with the Group’s marketing companies relate to the sale, distribution and related customer service activities in their respective territories of products manufactured by IMA’s various divisions. IMA’s manufacturing subsidiaries also have similar relationships with these marketing companies.

These financial statements for the year ended 31 December 2018 were prepared by the Board of Directors on 15 March 2019 and have been audited by EY S.p.A.

B) GENERAL PREPARATION POLICIES

General principles

In compliance with Regulation (EC) no. 1606/2002, the consolidated financial statements were prepared in accordance with the IAS/IFRS International Accounting Standards issued by the International Accounting Standards Board (IASB) currently in force and the related interpretations issued to date by the Standing Interpretations Committee and the International Financial Reporting Interpretations Committee (SIC/IFRIC), as endorsed by the European Union.

The IMA Group adopted IFRS in 2005, whereas the Parent Company, I.M.A. S.p.A., adopted them for its separate financial statements from 1 January 2006, as permitted by Decree 38 of 28 February 2005.

The consolidated financial statements of the IMA Group have been prepared on a going-concern basis, since there are no significant doubts or uncertainties about its ability to continue in business for the foreseeable future.

Financial statements

The statement of financial position has been classified based on the operating cycle, distinguishing between current and non-current items. With this distinction, assets and liabilities are considered current if they are expected to be realized or settled as part of the Group’s normal operating cycle or within twelve months. Non-current assets held for sale and related liabilities, if any, are shown in the appropriate items.

Costs and revenue for the year are presented in two statements: a consolidated income statement, which analyses costs according to their nature, and a consolidated statement of comprehensive income. The result deriving from discontinued assets and/or disposal groups, if any, is shown under an appropriate item of the consolidated income statement.

The statement of cash flows has been prepared using the indirect method for determining cash flows from operating activities. Under this method, the net profit for the period is adjusted for the effects of non-monetary transactions, any deferral of operational collections and payments already made, any accrued cash movements and the revenue or cost elements deriving from cash flows attributable to investment or financing activities. The Group classifies interest and dividends as cash flows from financing activities.

The figures contained in the consolidated financial statements as of 31 December 2018 are expressed in thousands of euros, except where otherwise indicated.

C) ACCOUNTING POLICIES AND ACCOUNTING STANDARDS APPLIED

The more significant accounting policies applied are as follows:

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognized at purchase or construction cost, including directly attributable ancillary expenses. Property, plant and equipment are depreciated each year on a straight-line basis over their estimated remaining useful life, as follows:

- Buildings and light constructions 10-40 years
- Plant and machinery 5-10 years
- Industrial and commercial equipment 4 years
- Other assets 4-9 years

The residual value and the estimated useful lives of property, plant and equipment are reviewed at the end of each financial year, if not more frequently.

Land is not depreciated since it has an unlimited useful life.

Leasehold improvements, that meet the recognition requirements, are depreciated over their expected useful life or the term of the lease, if this is shorter.

Ordinary maintenance costs are expensed as incurred. When property, plant and equipment need to be replaced at regular intervals, the cost of the part replaced is reversed from the book value of the asset and the cost of the replacement is capitalised in its place.

The carrying amount of property, plant and equipment is checked periodically for impairment losses, in the manner described in the section on impairment of assets.

LEASES

Finance lease contracts are accounted for in accordance with IAS 17. This provides that:

- the cost of the leased assets is recognized under property, plant and equipment and depreciated on a straight-line basis over the assets' estimated useful life; the financial liability to the lessor is recognized for an amount equal to the value of the leased asset;
- the recognition of lease instalments separates the interest element from the principal, which is deemed to represent repayment of the liability to the lessor.

Lease contracts under which the lessor retains substantially all of the risks and benefits of ownership are classified as operating leases, and the related instalments are charged to the income statement on a straight-line basis over the duration of the contract.

INTANGIBLE ASSETS

Bought-in or internally generated intangible assets are recognized when it is likely that their use will generate economic benefits in the future and when their cost can be reliably determined. These assets are recognized at their purchase or production cost.

Intangible assets with finite useful lives are amortised each year on a straight-line basis over their estimated useful lives, as follows:

• Industrial patents and intellectual property rights	3-15	years
• Software, licences and similar rights	5-15	years
• Trademarks	10-20	years
• Development costs	5-15	years

Assets with indefinite useful lives are not amortised but are tested for possible impairment of value on an annual basis, or more frequently if evidence suggests an impairment has occurred.

Research costs are charged to the income statement as soon as they are incurred. Development costs that qualify for capitalization as assets under IAS 38 (in relation to their technical feasibility, the intention and ability of the enterprise to complete, use or sell the assets, the availability of the resources required for the completion of the development project and the ability to measure the expenditure reliably) are generally amortised in relation to their future economic utility. Amortisation begins from the moment the products become available for economic use.

The estimate of useful life is reviewed and adjusted to reflect changes in projected future utility.

Goodwill is the excess of the cost of a business combination over the Group's share of the net fair value of those purchased assets, liabilities and contingent liabilities that can be identified individually and recognized separately. Goodwill is an intangible asset with an indefinite useful life.

Goodwill is not amortised. It is allocated to the related cash-generating units (CGUs) and, pursuant to IAS 36 (Impairment of Assets), undergoes impairment testing annually, or more frequently if events or changed circumstances indicate a probable impairment of value. Subsequent to initial recognition, goodwill is recognized at acquisition price net of any accumulated impairment.

IMPAIRMENT OF ASSETS

A tangible or intangible asset is impaired if its carrying value is greater than the amount that can be recovered from its use or sale. The impairment test required by IAS 36 ensures that tangible and intangible assets are not carried at a value exceeding their recoverable value, which is the higher of their net selling price or their value in use.

Value in use is defined as the present value of the future cash flows expected to be generated from the continuing use of an asset or by the related CGU. The present value of future cash flows is estimated using a pre-tax discount rate that reflects the current estimated market cost of borrowing, which is calculated in relation to the time value of money and the specific risks associated with the asset.

If the carrying amount exceeds recoverable value, the asset or CGU is written down to reflect such recoverable value. This impairment is charged to the income statement.

Impairment tests are carried out when factors internal or external to the company suggest that the value of an asset may have been impaired. In the case of goodwill and other intangible assets with an indefinite useful life, the impairment test must be carried out at least once a year.

If the conditions that led to an impairment cease to apply, the proportional reinstatement of the value of assets previously written down must not exceed the depreciated historical cost that would have been reported had such earlier impairment not been recognized. Writebacks are recognized in the income statement.

International accounting standards prohibit the reversal of impairment losses recognized in relation to goodwill.

FINANCIAL ASSETS

On initial recognition, financial assets are classified according to the following methods: amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVPL).

The classification of financial assets on initial recognition depends on the characteristics of the contractual cash flows of the financial assets and the business model that the Group uses to manage them. Except for trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value, plus transaction costs in the case of a financial asset not measured at fair value through profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are valued at the price of the transaction determined in accordance with IFRS 15, as commented in paragraph “Revenue from contracts with customers”. For a financial asset to be classified and measured at amortised cost or at fair value through OCI, it must generate cash flows that depend only on the principal and interest on the amount of principal to be repaid (so-called “solely payments of principal and interest (SPPI)”). This measurement is referred to as an SPPI test and is carried out on the individual instrument.

For the purposes of subsequent valuation, financial assets are classified into four categories:

Financial assets at amortised cost

The Group evaluates financial assets at amortised cost if both of the following requirements are met:

- the financial asset is held within the framework of a business model the objective of which is the possession of financial assets aimed at collecting contractual financial flows and
- the contractual terms of the financial asset envisage cash flows on certain dates represented solely by payments of principal and interest on the amount of principal to be repaid.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment testing. Profits and losses are recognized in the income statement when the asset is eliminated, modified or revalued.

Financial assets at fair value through OCI

The Group assesses the assets from debt instruments at fair value recorded in the comprehensive income statement if both of the following conditions are satisfied:

- the financial asset is held within the framework of a business model, whose objective is achieved through the collection of contractual cash flows and through the sale of the financial assets, and
- the contractual terms of the financial asset include cash flows on certain dates, represented solely by payments of principal and interest on the amount of principal to be repaid.

For financial assets measured at fair value through OCI, interest income, changes for exchange differences and impairment losses, together with write-backs, are recognized through profit or loss and calculated in the same way as financial assets measured at amortised cost. Rest of changes in fair value are recognized in OCI. On elimination, the cumulative change in fair value recorded in OCI is reclassified to profit or loss.

Investments in equity instruments

On initial recognition, the Group can irrevocably choose to classify its equity investments as equity instruments valued at fair value through OCI when they meet the definition of equity instruments pursuant to IAS 32 “Financial Instruments: Presentation” and are not held for trading. Each instrument is classified individually.

The profits and losses on these financial assets are never booked to the income statement. Dividends are recognized as other revenue in the income statement when the right to payment has been authorised, except when the Group benefits from these proceeds as recovery of part of the cost of the financial asset, in which case these profits are recognized in OCI. Equity instruments recognized at fair value through OCI are not subject to impairment testing.

Financial assets at fair value through profit or loss

This category includes assets held for trading, assets designated at the time of initial recognition as financial assets at fair value with changes recognized in the income statement, or financial assets that must necessarily be measured at fair value. Assets held for trading are all those assets acquired with a view to selling or repurchasing them in the short term. Derivatives, including those that are unbundled, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments. Financial assets with cash flows that are not represented solely by principal and interest payments are classified and measured at fair value through profit or loss, regardless of the business model. Financial instruments at fair value through profit or loss are recorded in the statement of financial position at fair value and net changes in fair value are recorded in the statement of profit or loss for the year.

HEDGING INSTRUMENTS

The fundamental characteristics of financial instruments are described in the preceding section regarding financial assets and in the section "Borrowings" with regard to financial liabilities.

The Group mainly uses derivative financial instruments to hedge exchange rate and interest rate risk. The Group does not hold any speculative financial instruments, in accordance with the procedure approved by the Executive Committee.

At the start of a hedging transaction, the Group formally designates and documents the hedging relationship, to which it intends to apply hedge accounting, its own risk management objectives and the strategy pursued.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk and the ways in which the Group will assess whether the hedging relationship meets the effectiveness requirements of the hedge (including an analysis of the sources of ineffectiveness of the hedge and how the hedge ratio is determined). A hedging relationship meets the eligibility criteria for hedge accounting if it meets the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not prevail over the changes in value resulting from the economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the amount of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge this quantity of hedged item.

The portion of profit or loss on the hedged instrument, relating to the effective hedging portion, is recognized in the statement of other comprehensive income in the fair value reserve, while the ineffective portion is recognized directly in the income statement. When the underlying element being hedged becomes manifest, the fair value reserve is reversed to the income statement and attributed to the carrying value of the underlying.

The fair value of interest rate derivatives is determined by their market value at the date of designation when it refers to hedging instruments of future cash flows. This is recognized in the fair value reserve in equity and reversed to income when the event associated with the underlying financial expense/income occurs.

Changes in the fair value of instruments that do not satisfy the requirements for hedge accounting are recognized in the income statement as financial income/expense.

INVENTORIES

Inventories are booked at the lower of cost or their estimated net realizable value. Cost is determined using the weighted average cost method for raw, ancillary and consumable materials and semi-finished products, whereas actual cost is used for other inventory items.

TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

Receivables falling due beyond a period considered normal commercial practice and not earning explicit interest are recognized at amortised cost using the effective interest rate method, net of any related impairment losses.

Receivables sold without recourse are derecognized from the balance sheet if substantially all of the related risks and rewards have been transferred to the purchaser.

Regarding impairment, the IAS 39 model based on losses suffered has been replaced by the ECL (Expected Credit Loss) model, as provided for by IFRS 9.

For further information on receivables and contract assets, please refer to the comments in the section on Revenue from contracts with customers.

CASH AND CASH EQUIVALENTS

This item includes cash on hand, sight and short-term bank deposits with an original maturity of not more than three months and with no risks. Bank overdrafts repayable on demand are not an integral part of the management of cash and cash equivalents.

TREASURY SHARES

In accordance with IAS 32, treasury shares are classified separately as a direct deduction from shareholders' equity. No gain or loss is recognized in income on the purchase, sale or cancellation of treasury shares. Any consideration paid or received, including expenses directly attributable to such equity transactions, net of any related tax benefits, is recognized directly in equity.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are set aside to cover current, legal or implicit liabilities deriving from past events, the amount required for the settlement of which can be reasonably estimated at the end of the period.

No provisions are recorded if a liability is considered to be merely potential, although suitable information is provided in the notes to the financial statements.

EMPLOYEE BENEFITS

Employee benefits mainly include the staff severance pay of the Group's Italian companies.

As a result of the reform of the supplementary pension scheme, introduced by Law 296 of 27 December 2006 (the Finance Act 2007), the Group calculates the actuarial value of severance pay accrued before 2007 without making allowance for any future wage increases. The portion accrued after 31 December 2006 is treated as a defined-contribution plan.

The net liabilities of the Group in relation to the defined-benefit plans are determined separately for each plan, estimating the present value of the future benefits earned by employees during the current and prior years, and deducting the fair value of any assets held to service the plan.

Actuarial gains and losses are recognized in a specific equity reserve. The cost of each plan is determined with reference to demographic and statistical assumptions and based on wage trends.

BORROWINGS

Financial liabilities are divided by IFRS 9 into financial liabilities at amortised cost and financial liabilities measured at fair value through profit or loss (FVPL).

Borrowings are valued at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future payments or collections over the expected life of the financial instrument to the gross carrying amount of a financial asset or the amortised cost of a financial liability.

The financial liability is eliminated when it is extinguished, i.e. when the obligation specified in the contract is fulfilled, cancelled or expired.

OTHER PAYABLES

About the put & call options on minority interests, the Group recognizes al financial liability equal to the current value of the option’s strike price, which is classified under Other payables.

At the time of initial recognition of the liability, this value is reclassified from equity by reducing minority interests if the terms and conditions of the put & call option already give the Group access to the economic benefits linked to the share of capital under option; the Group therefore accounts for this share as if it had already been purchased.

The liability is subsequently remeasured at each closing date in accordance with the provisions of IFRS 9.

GOVERNMENT GRANTS

Government grants are recognized when it becomes reasonably certain that the Group will comply with all the conditions established for receipt of the grants, and that such grants will actually be received. They are recorded using the income method.

Note that the Group has included the information required by art. 1, para. 125 of Law 124 of 4 August 2017 in the notes.

TAXES

Income taxes include current and deferred taxes. Income taxes are generally recognized in profit or loss except when they regard items recognized directly in equity. In this case, the related income taxes are also recognized in equity.

Current taxes are taxes which are expected to pay based on the taxable income for the year and are calculated using the tax rate applying in the various countries in which the IMA Group operates.

Deferred tax liabilities are calculated by applying the liability method to temporary differences between the value of consolidated balance sheet assets and liabilities and the corresponding values recognized for tax purposes. Deferred taxes are determined using the tax rate which is expected to apply when the assets are realized or the liabilities settled.

Deferred tax assets are recognized only when it is probable that taxable income in future years will be sufficient to realize them.

Deferred tax assets and liabilities are only offset when there is a legal entitlement to do so and when they relate to taxes due to the same tax authority.

Provision for taxes that might arise on transferring undistributed earnings of subsidiaries are only made if there is a real intention to transfer such earnings.

Taxes relating to prior periods include revenue and expenses recognized during the year for income tax relating to prior years.

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue deriving from contracts with customers are recognized based on the following five steps: (i) identification of the contract with the customer; (ii) identification of performance obligations to be transferred to the customer in exchange for the consideration; (iii) identification of the contractual consideration; (iv) allocation of the consideration to the individual performance obligations; (v) recognition of revenue when each performance obligation is satisfied.

Revenue is recognized for an amount that reflects the consideration to which the Group believes it is entitled to fulfil its obligation, with the transfer of the goods or service when the customer acquires control.

The Group's main revenue streams are:

- machines and contracts in progress,
- change parts (sub-units of machines that are sold together with them or at a later date),
- spare parts and other materials,
- technical assistance.

Contract work and part of technical assistance, in particular start-up services, represent obligations to be fulfilled over time. The method of assessing progress in the fulfilment of contract work in progress, relating to projects carried out according to the specific needs of the customer, is the cost-to-cost input method that makes it possible to account for revenue based on the effort (costs) that the Group makes to satisfy the performance obligation guaranteed to the customer on the total inputs that it expects to have to use to complete it (contract budget).

The valuation reflects the best estimate of the project costs at the balance sheet date. Directors base their estimates on the information generated by the internal system of reporting, forecasting and accounting for the contract; they also examine and, where necessary, revise their estimates of revenues and costs at the various stages of completion of the contract. Any economic effects are recognized in the period that the updates are made.

To provide better support for management's estimates, the Group has set up contract risk management and analysis tools, designed to identify, monitor and quantify the risks relating to the performance of such contract work.

The machines, change parts, spare parts and other materials and the after-sales technical assistance represent obligations to fulfil at a point in time. Revenue relating to the sale of products is recognized when substantially all of the risks and rewards of control over the goods have been transferred to the purchaser. The moment of transfer of control coincides with the transfer of ownership or possession of the property to the purchaser and therefore generally with shipment of the goods or completion of the service.

The Group generally receives short-term advances from its customers. The agreed amount of the consideration is not adjusted to take into account the effects of a significant financing component if, at the beginning of the contract, the time lapse between the moment when the Group transfers the asset or completes the service and the moment when it receives payment is not expected to exceed 12 months. The balance sheet exposure is as follows:

- Contract works: the right to a fee in exchange for goods or services transferred to the customer. If the order is fulfilled before payment of the consideration or before payment is due, the work is presented as a contract asset, excluding any amounts that are shown as receivables. At each balance sheet date the Group verifies whether the contract asset has suffered impairment in accordance with IFRS 9;

- Receivables: the unconditional right to the consideration. The right to compensation is unconditional if only the passage of time is needed to make the payment due. At each balance sheet date, the Group verifies any reduction in value in accordance with IFRS 9;
- Contract liabilities: the obligation to transfer goods or services to the customer for which a consideration has been received from the customer. If the customer pays the consideration before the good or service is transferred, the contract is presented as a contract liability at the time the payment is made.

The contract assets and contract liabilities relating to existing contracts are shown net in the statement of financial position as follows:

- the amount due from customers for contract work in progress is recorded as an asset, under Contract assets, when it exceeds any advances that have been received;
- advances received on contract work in progress are recorded as a liability, under Contract liabilities, when they exceed the relative amount owed by the customers.

This analysis is carried out for each individual project.

DISCONTINUED OPERATIONS/DISPOSAL GROUPS

Non-current assets (or groups of assets being divested) are classified as held for sale if their carrying amount will be recovered essentially through disposal rather than through continued use. -These assets are measured at the lower their carrying amount or their fair value, net of selling costs.

Assets and liabilities held for sale are classified separately from other assets and liabilities in the balance sheet. If the assets and liabilities held for sale meet the definition of discontinued operations, their results are reported separately in the income statement, net of tax. In this case, the comparative income statement is restated accordingly.

TRANSLATION OF FOREIGN CURRENCY BALANCES

Functional and presentation currency

The balance sheets, income statements and statements of cash flows of Group companies are prepared using the currency of the primary economic environment in which the companies operate (functional currency). The consolidated financial statements are presented in Euros, the Parent Company's functional and presentation currency.

Transactions and balances

As required by IAS 21, amounts originally denominated in foreign currency are translated into the functional currency and are accounted for as follows:

- monetary items are translated at the spot exchange rate prevailing at the end of the period;
- non-monetary items recognized at historical cost are translated using the exchange rate prevailing at the time of the transaction;
- non-monetary items measured at fair value are translated using the exchange rate prevailing at the time the fair value was determined.

Exchange rate differences realized on the collection of receivables or the settlement of payables denominated in foreign currencies are taken to the income statement. Unrealized exchange differences arising from the translation of monetary items at the year end spot exchange are taken to the income statement.

Group companies

The translation into Euros of the financial statements of foreign companies included within the scope of consolidation is carried out by applying the current exchange rate at the closing date to balance sheet assets and liabilities, and the average exchange rates for the period to items in the income statement.

Exchange rate differences deriving from the translation of initial net equity at the rates current at the end of the period and from the translation of the income statement at the same rates at the end of the period are recognized as a separate component of equity called the translation reserve.

Goodwill arising on the acquisition of a foreign operation is accounted for as an asset of the foreign operation and translated at the spot exchange rate at the balance sheet date, with an opposite entry made to the translation reserve.

The principal exchange rates, as reported by the European Central Bank and used for the translation to Euro of foreign currency amounts, are as follows:

	2018		2017	
Currency	Final exchange rate	Average exchange rate for the year	Final exchange rate	Average exchange rate for the year
USdollar	1.145	1.181	1.199	1.129
GBpound sterling	0.895	0.885	0.887	0.876
Indian rupee	79.730	80.733	76.605	73.498
Chineseyuan	7.875	7.808	7.804	7.626
Swissfranc	1.127	1.155	1.170	1.111

IAS 29 Accounting in Hyperinflationary Economies does not establish an absolute inflation rate above which hyperinflation occurs. One of the situations that are considered indicative is a cumulative rate of inflation over a three-year period of 100% or more. After a long period of observation of inflation levels and other indicators, a general consensus was reached in considering Argentina among the countries operating in a hyperinflationary economy. So, from 1 January 2018 the Group has applied IAS 29 to the subsidiary whose functional currency is the Argentine peso.

DIVIDENDS

Dividends distributed to shareholders of the Parent Company are recognized as a liability in the consolidated financial statements in the period in which the dividend is approved by the Shareholders' Meeting.

EARNINGS PER SHARE

Basic earnings per share are calculated as the ratio of Group net profit to the weighted average number of ordinary shares outstanding in the period. As required by IAS 33, earnings per share from discontinued operations are shown separately in the income statement.

USE OF ESTIMATES AND ASSUMPTIONS

When preparing consolidated financial statements, management must use accounting principles and methods which, in some cases, are based on difficult and subjective valuations and estimates, which are based on past experience, and on assumptions that are deemed from time to time as reasonable and realistic on a case-by-case basis.

Application of these estimates and assumptions affects the amounts shown in the financial statements, namely the balance sheet, income statement and cash flow statement, as well as the explanatory notes.

The financial statement items that require a greater subjectivity on the part of the directors in preparing estimates and for which a change in the conditions underlying the assumptions used can have a significant impact on the Group's consolidated financial statements are:

- goodwill and other intangible assets,
- deferred tax assets,
- inventories,

- revenue from contracts with customers,
- contract assets and liabilities,
- liabilities for employee benefits,
- liabilities calculated as the current value of the exercise price of purchase options on minority interests,
- bad debt provisions,
- provisions for risks and charges.

With reference to goodwill and other intangible assets, the processes and methods for evaluating and determining estimates are based on complex assumptions regarding revenue, operating costs, margins, investments, terminal value growth rates and discount rates, to differentiate for each CGU based on different markets in which the Group operates.

About revenue from contracts with customers for contract work and contract assets and liabilities, application of the cost-to-cost method requires a prior estimate of the entire lifetime costs of individual projects, updating them at each balance sheet date. This requires assumptions to be made by the directors. These assumptions can be influenced by multiple factors, such as, for example, the time span of several years over which some projects are developed, their high technological level and innovative content, any variances and price revisions, the performance guarantees of the machines, including an estimate of contractual risks, if any. These facts and circumstances make it difficult to estimate the projects' costs to complete and, consequently, to estimate the value of contract work in progress at the balance sheet date.

The parameters used when making estimates are analytically commented on in the section on accounting policies in the notes to the consolidated financial statements.

Estimates and assumptions are regularly revised and the effects of any changes are immediately reflected in the income statement.

SEGMENT INFORMATION

Operating segments have been identified based on the internal reports used by senior management to allocate resources and evaluate the results of each business.

The Group's segment information pertains to the Tea, Food & Other, Pharmaceutical and Tobacco packaging sectors, aggregated by market.

IMPLEMENTATION OF ACCOUNTING STANDARDS

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED ON 1 JANUARY 2018

The main accounting principles in force since 1 January 2018 are IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments.

IFRS 15 was issued in May 2014 and introduced a new model for the recognition of revenue deriving from contracts with customers on the basis of the following five steps: (i) identification of the contract with the customer; (ii) identification of performance obligations to be transferred to the customer in exchange for the consideration; (iii) identification of the contractual consideration; (iv) allocation of the consideration to the individual performance obligations; (v) recognition of revenue when each performance obligation is satisfied.

The accounting standards in force up to 31 December 2017 provided for recognition of revenue to the extent that it was probable that the economic benefits would be achieved and the amount involved could be determined reliably and the revenue was measured at the fair value of the consideration received or due. Revenue relating to the sale of products was recognized when substantially all of the risks and rewards of ownership of the goods had been transferred to the purchaser. The moment of transfer of ownership was when title or possession of the goods was transferred to the buyer, which generally coincided with shipment. The only exception was revenue from contract work, which was recognized on a percentage-of-completion basis.

The new standard (IFRS 15) provides for the recognition of revenue for an amount that reflects the consideration that the entity believes that it is entitled to in exchange for transfer of the goods or services to the customer. The new standard replaces all previous IFRS requisites for revenue recognition and is effective for annual periods beginning on or after 1 January 2018.

In 2016 and 2017, the Group assessed the effects of IFRS 15, which showed that the method of accounting for revenue streams appears to be substantially consistent with the principles contained in the new standard. Adopting the new IFRS 15, which we applied with the revised retrospective method with effect from 1 January 2018, involved identifying the following revenue streams: machines and contracts in progress, change parts, spare parts and other materials, and technical assistance. Moreover, "Revenue" for 2017 has been renamed "Revenue from contracts with customers". Application of this standard only entailed a different presentation of the performance obligation linked to technical assistance in progress and, in particular, to commissioning services. This change had an incremental effect on revenue and on the costs of technical assistance in 2018 of the same amount corresponding to approximately 10.757 thousand euros, so with a zero impact on the result for the year and on shareholders' equity at 1 January 2018. Application of the new standard has not had significant impacts on the Group's assets and liabilities, results or financial position. As required by the standard, contract assets and liabilities have been shown separately from Trade and other receivables and Trade and other payables.

The following is a reconciliation between the items in the statement of financial position at 1 January 2018:

		IFRS 15 classification	
in thousands of euros		Trade and other receivables	Contract assets
Previous accounting standards classification:			
Trade and other receivables	389,332	232,390	156,942

in thousands of euros		Trade and other payables	Contract liabilities
Previous accounting standards classification:			
Trade and other current payables	635,739	469,678	166,061

As regards the changes to disclosures, reference should be made to Note 1 Segment Information, Note 10 Trade and other receivables and contract assets and Note 18 Trade payables and other payables and contract liabilities.

IFRS 9 was issued in its final version in July 2015 and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the project on accounting for financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. With the exception of hedge accounting, retrospective application of the standard is required, but it is not obligatory to provide comparative information. As regards hedge accounting, the standard generally applies prospectively, with some limited exceptions.

The new standard is designed to simplify the reader's understanding of the amounts, timing and uncertainty of cash flows by replacing the various categories of financial instruments envisaged in IAS 39.

Classification and Measurement

IFRS 9 introduces a new approach for the classification of all financial instruments, including derivatives embedded in other financial instruments, based on the logic of the “cash flow” and the “business model” for which the asset is held, replacing the previous rules that turned out to be difficult to apply.

The Group has verified the methods of classification of the financial instruments envisaged by IAS 39 with respect to the new criteria envisaged by IFRS 9 and has carried out the following mandatory or optional reclassifications at 1 January 2018:

		IFRS 9 measurement category		
in thousands of euros		Amortized cost	FVOCI	FVPL
IAS 39 measurement category:				
Financial receivables	7,759	7,759	—	—
Investments held to maturity	—	—	—	—
Financial assets measured at fair value recognized in the income statement	—	—	—	—
Financial assets available for sale	15,156	—	14,174	982

For details of the items reported, see Note 5 Financial assets.

Impairment

IFRS 9 replaces the incurred loss model required by IAS 39 with a forecasting model of “expected credit loss” (ECL). The model assumes a significant level of assessment regarding the impact of changes in economic factors on the ECL that will be weighted according to probabilities. The new impairment loss model applies to financial assets measured at amortised cost or at FVOCI, with the exception of equities and assets deriving from contracts with customers. The standard provides that credit provisions should be assessed using the following approaches: the General deterioration method and the Simplified approach; in particular:

- the General Deterioration Method requires financial instruments included in the scope of application of IFRS 9 to be classified in three stages. The three stages reflect the level of deterioration in credit quality from the moment the financial instrument is acquired and involve a different method of calculating ECL;
- the Simplified Approach provides for the adoption of a number of simplifications for trade receivables, contract assets and receivables deriving from lease agreements, in order to prevent entities being forced to monitor changes in credit risk, as envisaged by the general model. Recognition of the loss according to the simplified approach has to be permanent (or “lifetime”), in which case stage allocation is not required. One of the operational examples included in the simplified approaches for estimating ECLs is that of the Provision Matrix, which is particularly suitable in the way that it is constructed for assessing trade receivables due from a clientèle that is highly differentiated, but which can be categorised in the same risk classes. In fact, different write-down rates will be determined in the provision matrix, grouping together in the proposed matrix above all the receivables based on the days of that they are past due. In addition to this aggregation variable, the standard says that loss rates can be estimated by classes of customers that show the same loss path. The standard does not lay down a single principle for customer segmentation, leaving each entity free to select the sample sub-sets in order to make them consistent, based on individual experiences. So depending on the individual customer base, each entity will organize the provision matrix by dividing its customers into clusters by using different factors and variables, such as geographical area, product area, credit rating, etc.

As we said earlier, in cases where the General Deterioration Method is applied, the financial instruments are classified in three stages according to the deterioration of the credit quality between the date of initial recognition and that of measurement:

- Stage 1 — for activities that have not undergone a significant increase in credit risk with respect to those recorded at the time of initial recognition or if they have a low credit risk on the reference date, a provision must be recognized that reflects the 12-month ECL: expected losses will be estimated on the basis of possible default events in the following 12 months, with a reduced impact of the calculation on ECLs. In fact, for this category of instruments, the standard makes it possible to reduce the coefficients, as the parameters will not be estimated over a time horizon that reflects the entire residual life of the instrument, permitting a saving in terms of the amount to be accrued to the bad debt provision;

- Stage 2 and 3 — on the other hand, for assets that have undergone a significant increase in credit risk, the entity has to recognize a provision equal to the expected losses over the entire residual life of these financial assets, taking into account the probability of default that could occur over the entire life of the instrument ("Lifetime ECL").

In order to define the methodological approach to be applied to assets undergoing impairment, an analysis was made of the financial assets in portfolio subject to impairment, with particular reference to trade receivables and contract assets representing the majority of the Group's credit exposure. For trade receivables and contract assets, the Group generally establishes qualitative and quantitative thresholds to define the default of these positions, which are valued using the IFRS 9 simplified approach (ECL = EAD x PD x LGD). For positions that do not exceed these qualitative and quantitative thresholds, the Group assesses the ECL by dividing these credits into specific clusters, also taking into account the geographical area, the product area and the credit rating, applying the impairment model based on expected losses through the operational exemplification of the provision matrix. A simplified approach was applied to the trade receivables deemed individually significant by management and for which more precise information is available on the significant increase in credit risk within the simplified model. Application of the new impairment model has not had significant impacts on the Group's assets and liabilities, results or financial position.

Impairment losses determined in accordance with IFRS 9 are presented separately in the income statement if the amount is considered significant.

Hedge accounting

As regards hedging instruments, the most significant changes compared with the hedge accounting model proposed by IAS 39 concern the possibility of deferring the time value of an option, the forward component of a forward contract and the currency basis spreads (i.e. hedging costs) in OCI up to the moment in which the hedged item impacts the income statement.

The type of derivatives and forward purchases/sales in foreign currency currently subscribed by the Group is not affected by the new standard; the intrinsic value can therefore continue to be shown in the cash flow hedge reserve as there are no changes on this point with respect what was previously required by IAS 39. The Group has chosen to continue applying the hedge accounting requirements of IAS 39, as permitted by IFRS 9 paragraph 7.2.21.

The other amendments and interpretations of accounting standards and methods in force from 1 January 2018 govern circumstances and situations that are not relevant to the Group's consolidated financial statements or, in any case, not significant:

- Amendments to IFRS 2 — Classification and Measurement of Share-based Payment Transactions;
- Amendments to IFRS 9 — Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts;
- Amendments to IAS 40 — Transfer of Investment Property;
- Annual cycle of improvements to IFRS 2014-2016 — includes some amendments to IFRS 1 (First-time adoption of International Financial Reporting Standards — Cancellation of Short-Term Exemptions for First-Time Adopters) and IAS 28 (Investments in Associated Companies and Joint Ventures — Clarification that the recognition of an investment at fair value through profit or loss for the year is a choice that applies to the individual investment);
- IFRIC Interpretation 22 — Foreign Currency Transactions and Advance Consideration.

ACCOUNTING STANDARDS ISSUED BUT NOT YET IN FORCE

The Group is assessing the impact of the amendments to accounting standards that have been issued but not yet in force. In particular, IFRS 16 Leases was published in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the substance of transactions in the legal form of a lease.

IFRS 16 defines the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize all leases on the balance sheet on the basis of a single model similar to the one used to account for finance leases under IAS 17. The standard will come into force for financial years beginning on or after 1 January 2019. The Group will apply the new standard from the obligatory effective date. The Group has carried out an analysis of the potential impact that adoption of the new standard could have on the balance sheet, financial position, income statement and disclosures made in the notes. The quantitative effects of the estimate could be subject to further changes during 2019 as the Group is currently finalising the analysis.

The Group will apply the standard by adopting the simplified retrospective method, assessing, for leases previously classified as operating leases, the lease liability at the current value of the residual payments due, discounted using the lessee's marginal financing rate on the date of the initial application, and recognizing the asset consisting of the right of use for an amount equal to that of the liability. Therefore, there are no cumulative effects to adjust the opening balance of the equity. Furthermore, the 2018 financial statements will not be restated for comparative purposes.

The lease contracts entered into by the Group are essentially attributable to real estate and car leases. The Group did not consider the non-leasing components. It included in the duration of the contract any extension periods covered by the renewal option, when assumed with reasonable certainty that it will be exercised, also based on past experience, and took advantage of the option to exclude short-term contracts (including leases with a duration that ends within 12 months from the date of initial application) from the scope of application of the standard and contracts in which the underlying asset is of low value.

The Group has estimated that, at the date of first application, the lease liability amounts to approximately 141,043 thousand euros. As mentioned in Note 32 Commitments, at 31 December 2018 the Group had commitments for property rentals relating to industrial facilities, warehouses and offices for a total of 132,641 thousand euros and future minimum payments for non-cancellable operating leases for a total of 4,811 thousand euros.

Lease instalments paid during the year for operating lease contracts and rents amounted to 21,187 thousand euros.

The difference between the commitments relating to operating leases and rents and the liability deriving from the impact of IFRS 16 is shown below:

in thousands of euros	01.01.2019
Operating lease obligations at 31 December 2018	137,452
Minimum lease payments(notional amount) on finance lease liabilities at 31 December 2018	8,264
Relief option for short term leases and for leases of low value assets	(1,241)
Other	26,594
Gross lease liabilities at 1 January 2019	**171,069**
Discounting	(22,107)
Lease liabilities at 1 January 2019	**148,962**
Present value of finance lease liabilities at 31 December 2018	(7,919)
Additional lease liabilities as result of the initial application of IFRS 16 at 1 January 2019	**141,043**

"Other" refers mainly to various considerations on the duration of the contracts made when analysing the contracts that were outstanding at the transition date.

Application of IFRS 16 will not have effects for the purpose of calculating the financial parameters (or "covenants") required by existing loan agreements.

The following is a list of the other standards and interpretations that had already been issued at the time this document was being prepared, but were not yet in force:

- IFRS 17 – Insurance Contracts;
- IFRIC – Interpretation 23 Uncertainty over Income Tax Treatments;
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation;
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement;
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures;
- Annual cycle of improvements to IFRS 2015-2017 – includes some amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23;
- Amendments to IFRS 10 and to IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The Group does not expect any significant impacts on its assets and liabilities, results and financial position from applying these standards.

D) FINANCIAL RISK MANAGEMENT

RISK FACTORS

The Group is exposed to various types of financial risk connected with its business activities, the following in particular:

- Credit risk arising from commercial transactions or financing activities;
- Liquidity risk related to the availability of financial resources and access to the credit market;
- Market risk, specifically:
  a) Exchange rate risk, relating to operations in areas using currencies other than the functional currency;
  b) Interest rate risk, relating to the Group's exposure to interest-bearing financial instruments;
  c) Price risk, associated with changes in the listed price of capital instruments held as financial assets and in commodity prices.

CREDIT RISK

The Credit Management unit is responsible for the operational management of these risks. It is centralized with the Administration, Finance and Control department and operates based on a credit policy that governs:

- the assessment of the customer's credit standing, taking into account the corporate and country credit rating when allowing extended payment terms, including positions backed by adequate bank or insurance guarantees;
- monitoring the related expected cash flows;
- appropriate payment solicitation actions;
- recovery actions.

Writedowns are made by percentage of past due positions, based on times series of insolvency, except for any writedowns of specific receivables. With respect to a breakdown of trade receivables by due date, reference should be made to Note 10.

Financing activities are primarily directed towards Group companies and are therefore considered to be at very low probability of risk.

It should be noted that at 31 December 2018 the Group was not party to any sovereign debt positions with redemption risks.

Sureties and other non-bank guarantees are given mainly on behalf of subsidiaries to back loans and financing extended by banks or commitments to pay lease instalments.

In the case of financing activities linked to temporary excess liquidity or of the use of financial instruments (derivatives), the Group operates solely with counterparties with high credit standing.

The Group's maximum theoretical credit risk exposure at 31 December 2018 is represented by the carrying amount of the financial assets stated in the financial statements, and by the nominal value of the guarantees given as described in Note 31.

Liquidity risk

Current difficult conditions in the financial markets make it fundamentally important to maintain adequate liquidity available to meet Group requirements. The two main factors that determine the Group's liquidity position are, on the one hand, the resources generated or absorbed by operating or investment activities, and on the other, the maturity and renewal characteristics of the debt or the liquidity of the financial instruments used and market conditions.

The treasury units of the individual companies are responsible for managing this risk, based on the guidelines set out by the finance department, under the coordination of the Parent Company's treasury unit.

The Group has adopted a series of policies and processes designed to optimise the management of financial resources, thus reducing liquidity risk. These include:

- maintaining an adequate level of available liquidity;
- obtaining sufficient lines of credit;
- monitoring forecast liquidity conditions in relation to the corporate planning process.

With regard to this type of risk, the Group tends to configure its net debt by financing investments with medium/long-term loans, while meeting current commitments out of the cash flow generated by operations and by using short-term lines of credit.

The following tables shows the composition and maturity of financial and trade payables and commitments:

in thousands of euros	Within 1 year	From 1 to 5 years	Beyond 5 years	Total
31.12.2018				
Borrowings	106,529	239,782	43,499	389,810
Commitments	29,851	70,304	45,156	145,311
Trade Payables	363,194	1,000	—	364,194
Total	**499,574**	**311,086**	**88,655**	**899,315**
31.12.2017				
Borrowings	108,459	162,259	5,221	275,939
Commitments	31,079	70,956	55,771	157,806
Trade Payables	358,137	—	—	358,137
Total	**497,675**	**233,215**	**60,992**	**791,882**

Further information on the composition of the above items is provided in Notes 15, 18 and 32.

At 31 December 2018 the Group had about 462 million euros available in unused lines of credit (363 million euros at 31 December 2017) and cash and cash equivalents of 141 million euros (207 million euros at 31 December 2017). As to the balancing of net working capital, especially the coverage of payables to suppliers, net trade receivables came to 384 million euros at 31 December 2018 (325 million euros at 31 December 2017).

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will change due to changes in the market price. The market price includes three types of risk: exchange rate risk, interest rate risk and other price risks.

Exchange rate risk

The current business activities of companies of the Group whose functional currency is the euro, which actively operate in markets outside the euro area, are exposed to exchange rate risk, mainly with respect to sales in the US dollar area. The Group's policy on exchange-rate risk provides for the use of forward contracts to hedge between 70% and 90% of future transactions denominated in foreign currencies, depending on whether they consist of budgeted flows of sales in foreign currencies or flows from the backlog acquired. Changes in exchange rates between the date of invoicing and the date of receipt of funds are managed separately, without recourse to hedge accounting, by offset against similar payment flows. Group investments in foreign subsidiaries are not hedged since the foreign currency positions are considered to be long term.

The following tables contains an analysis of the effects of exchange-rate risk:

			Exchange rate risk (ERR)			
			Increase effect		Decrease effect	
in thousands of euros	Carryng value	Of which subject to ERR	Profits (Losses)	Other changes in FVR	Profits (Losses)	Other changes in FVR
Financial assets:						
Cash and cash equivalents	140,867	57,036	(1,124)	—	1,173	—
Trade and other receivables	447,207	117,724	(2,290)	—	2,364	—
Financial assets at amortized cost, at FVOCI and at FVPL	69,687	—	—	—	—	—
Derivative financial instruments	382	382	—	248	—	154
Tax effect			819	(60)	(849)	(37)
			(2,595)	**188**	**2,688**	**117**
Financial liabilities:						
Borrowings	281,821	26,068	362	109	(377)	(114)
Bonds	107,989	31,191	—	—	—	—
Trade and other payables	711,104	136,243	2,679	—	(2,783)	—
Derivative financial instruments	5,116	1,310	—	444	—	(869)
Tax effect			(729)	(133)	758	236
			2,312	**420**	**(2,402)**	**(747)**
Total increases (decreases) for 2018 (*)			**(283)**	**608**	**286**	**(630)**
Total increases (decreases) for 2017 (**)			**(340)**	**21**	**114**	**(23)**

(*) 2018 variability parameters: +/-2% €/$, +/-2% €/£ and +/-2% €/CNY
(*) 2017 variability parameters: +/-2% €/$, +/-2% €/£ and +/-2% €/CNY
Further information on the composition of the above items is provided in Notes 5, 7, 10, 12, 15 and 18.

The variability parameters applied fall within the range of reasonably possible changes in the exchange rate, all other factors being equal.

The following tables show the breakdown by currency of trade and other receivables and payables at 31 December 2018 and 31 December 2017:

in thousands of euros	Trade receivables and contract assets	Advances, taxes and other receivables	Trade payables and contract liabilities	Tax, employee and other payables
Euro	292,844	39,523	458,308	153,308
US dollar	56,659	3,070	42,165	7,777
Swiss franc	12,978	1,516	12,573	2,297
Indian rupee	3,610	2,227	5,492	2,392
GBPound sterling	4,490	811	2,134	1,320
Thai baht	2,421	3,437	2,079	477
Polish zloty	364	2	512	254
Chinese yuan	4,419	1,835	10,533	3,126
Japanese yen	975	22	283	172
Brazilian real	1,418	431	1,106	614
Russian ruble	642	22	619	241
Other	3,216	690	2,245	1,077
Total at 31 December 2018	**384,036**	**53,586**	**538,049**	**173,055**
Euro	245,247	46,780	463,397	126,371
US dollar	50,645	2,687	27,795	7,305
Swiss franc	13,352	1,593	11,146	4,796
Indian rupee	3,059	2,309	4,707	1,671
GBPound sterling	1,524	177	1,685	1,111
Thai baht	3,540	2,580	5,496	305
Polish zloty	841	32	1,327	620
Chinese yuan	3,901	971	5,315	2,544
Japanese yen	674	134	361	135
Brazilian real	515	193	697	487
Russian ruble	259	79	889	515
Other	1,668	728	1,383	947
Total at 31 December 2017	**325,225**	**58,263**	**524,198**	**146,807**

It should also be noted that at 31 December 2018 the financial assets at amortised cost, FVOCI and FVPL are mainly denominated in Euro.

Interest rate risk

In order to conduct its business, the Group raises financing from the market, borrowing primarily at floating interest rates, and is thus exposed to risks relating to rising interest rates.

The objective of interest rate risk management is to contain and stabilize the outflow of interest payments on mainly medium-term debt so as to achieve close correlation between the underlying and the hedging instrument.

Hedging, which is decided on a case-by-case basis, is arranged using derivative contracts, typically the purchase of IRS and caps and the sale of floors which, at a certain level, transform the floating rate into a fixed rate.

The following tables contains an analysis the effects of these risks:

in thousandsof euros	Carryng value	Of which subject to IRR	Interest rate risk (IRR) + 50 bp on € IRR + 50 bp on $ IRR Profits (Losses)	Other changes in FVR	- 50 bp on €IRR - 50 bp on $IRR Profits (Losses)	Other changes in FVR
Financial assets:						
Cash and cash equivalents	140,867	43,163(**)	170	—	(26)	—
Trade and other receivables	447,207	—	—	—	—	—
Financial assetsat amortized cost, at FVOCI and at FVPL	69,687	2,058	10	—	(8)	—
Derivative financial instruments	382	—	—	—	—	—
Tax effect			(43)	—	8	—
			137	**—**	**(26)**	**—**
Financial liabilities:						
Borrowings	281,821	229,590(**)	(1,193)	—	1,246	—
Bonds	107,989	—	—	—	—	—
Trade and other payables	711,104	—	—	—	—	—
Derivative financial instruments	5,116	5,116	—	2,697	—	(2,887)
Tax effect			286	(647)	(299)	693
			(907)	**2,050**	**947**	**(2,194)**
Total increases(decreases) for 2018			**(770)**	**2,050**	**921**	**(2,194)**
Total increases(decreases) for 2017 (*)			**(603)**	**225**	**692**	**(253)**

(*) 2017 variability parameters +/- 50 bp €/$
(**) Annual average.
Further information on the composition of the above items is provided in Notes 5, 7, 10, 12, 15 and 18.

The variability parameters applied fall within the range of reasonably possible changes in the interest rate, all other factors being equal.

Exchange rate and interest rate risk management is carried out in line with the risk management policy approved by the Executive Committee of the Parent Company.

Price risk

At 31 December 2018, the Group is not exposed to price risk on investments in listed capital instruments classified in the financial statements as "financial assets".

The Group is not exposed to significant price risk in relation to commodities.

CAPITAL RISK MANAGEMENT

The Group manages capital with the goal of supporting its core business and optimising value for shareholders by maintaining an appropriate capital structure and reducing its cost.

The Group monitors its capital with reference to the gearing ratio, which is the ratio between its net debt and its equity:

in thousands of euros	2018	2017
Net debt (A)	184,583	50,053
Equity (B)	420,934	390,524
Total capital (A)+(B)=(C)	605,517	440,577
Gearingratio (A)/(C)	**30%**	**11%**

About the change in net debt, please read Note 15.

FAIR VALUE

IFRS 13 establishes the following fair value hierarchy to be used when measuring the financial instruments shown in the balance sheet:

- Level 1: quoted prices in active markets;
- Level 2: inputs other than the quoted prices of Level 1 that are observable on the market, either directly (prices) or indirectly (derived from prices);
- Level 3: inputs that are not based on observable market data.

The following table shows the assets and liabilities measured at fair value at 31 December 2018 and 31 December 2017 by fair value hierarchy level:

in thousands of euros	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets	—	—	19,048	19,048
Derivative financial instruments	—	382	—	382
Total assetsat 31 December 2018	**—**	**382**	**19,048**	**19,430**
Liabilities:				
Payables for acquisitions	—	—	61,993	61,993
Derivative financial instruments	—	5,116	—	5,116
Total liabilitiesat 31 December 2018	**—**	**5,116**	**61,993**	**67,109**

in thousandsof euros	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets	—	—	10,370	10,370
Derivative financial instruments	—	173	—	173
Total assetsat 31 December 2017	**—**	**173**	**10,370**	**10,543**
Liabilities:				
Payables for acquisitions	—	—	34,269	34,269
Derivative financial instruments	—	2,151	—	2,151
Total liabilitiesat 31 December 2017	**—**	**2,151**	**34,269**	**36,420**

Investments in other companies and investments in securities held as financial assets at FVOCI are measured at fair value and the related unrealized gains and losses are recognized as part of other comprehensive income, except as discussed in Note 5 in relation to Mint Street Holding S.p.A., a financial asset valued at FVPL.

During 2018, there were no transfers between the three levels of the fair value hierarchy laid down in IFRS 13. There have not been any significant changes in the commercial or economic circumstances which affect the fair value of financial assets and liabilities.

The following table shows the changes in level 3:

in thousands of euros	Assets	Liabilities
Balance at 01.01.2017	6,512	18,998
Profit/(losses) recognized in PL	(364)	159
Profit/(losses) recognized in OCI	226	—
Acquisition of MAI S.A.	—	2,481
Acquisition of Eurosicma S.p.A.	—	18,218
Acquisition of Mapster S.r.l.	11	—
Amountspaid asearn out	—	(5,587)
Increases/(decreases)	3,985	—
Balance at 31.12.2017	**10,370**	**34,269**
Profit/(losses) recognized in PL	(543)	2,335
Profit/(losses) recognized in OCI	540	—
Acquisition of TMC Group	196	22,213
Acquisition of Ciemme S.r.l.	—	7,006
Amountspaid for acquisitions	—	(4,334)
Increases/(decreases)	8,485	504
Balance at 31.12.2018	**19,048**	**61,993**

Information about the methods used to calculate fair value is provided in Note 5 on financial assets, in Note 15 on borrowings and Note 30 on payables for acquisitions, essentially represented by options for the purchase of the residual quotas of businesses and companies that took place during the year and previous years.

E) CONSOLIDATION PRINCIPLES

Subsidiaries

Companies are subsidiaries when the Group is exposed or has the right to variable returns deriving from its relationship with the investee and, at the same time, is able to influence such returns by exercising its power over that entity. The general presumption is that the ability to exercise the majority of voting rights represents control. In support of this presumption and when the Group holds less than the majority of voting (or similar) rights, the Group considers all significant facts and circumstances in order to determine if it controls the investee, including contractual agreements with other holders of voting rights, rights deriving from contractual agreements and potential voting rights.

The financial statements of subsidiaries are consolidated on a line-by-line basis from the date on which control is acquired until the date such control ceases. Under IFRS 3, the subsidiaries acquired by the Group are accounted for using the purchase method, which establishes that:

- the consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair value of assets transferred and liabilities assumed by the Group at the date of acquisition and equity instruments issued in exchange for control of the acquiree. The charges relating to the transaction are recognized in the income statement when they are incurred;
- the excess of purchase cost over the fair value of net assets attributable to the Group is accounted for as goodwill;
- should purchase cost be lower than the fair value of the subsidiary's net assets attributable to the Group, such difference is directly recognized in the income statement.

If the initial recognition of a business combination can only be determined provisionally, the adjustments to the values initially assigned are recognized within twelve months of the acquisition date.

Minority (or "non-controlling") interests in equity and net profit are shown as separate items in the consolidated balance sheet and income statement, respectively.

If a subsidiary is not wholly owned, the minority interest in equity is determined with reference to its portion of the fair value of assets and liability at the time control was acquired, excluding any attributable goodwill (partial goodwill method). Alternatively, the entire amount of the goodwill generated by the acquisition is recognized, taking account of the portion attributable to the minority interest (full goodwill method); in this last case, the minority interest is stated at its total fair value, including the goodwill attributable to it. The choice of method for determining the amount of goodwill (partial goodwill method or full goodwill method) is decided on a case-by-case basis for each business combination.

Payables, receivables, costs and revenue between the companies included in the scope of consolidation, as well as the effects of all material transactions between them, have been eliminated on consolidation.

Specifically, unrealized gains with third parties deriving from transactions between Group companies have been eliminated, including those from the valuation of inventories at the reporting date.

Associated companies

An associate is a company over which the Group exercises significant influence. Significant influence means the power to participate in the determination of financial and operating policies, without exercising control or joint control.

Such influence is presumed to exist when the Group holds an interest of between 20% and 50% of voting rights. The consolidated financial statements include the share of the net profits and losses of associated companies, valued using the equity method, from the date on which significant influence begins until the date that it ends.

Profits and losses pertaining to the Group after the purchase of associates are recognized in the income statement.

Equity investments in associates are initially recorded at purchase cost. Any excess of purchase cost over the Group’s proportional share of the fair value of the net assets acquired is included in the value of the investment.

Joint ventures

A joint venture is a joint arrangement whereby the parties that exercise joint control have rights to the net assets of the arrangement. Joint control arises under a contractual agreement to share control over an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of all the parties sharing control.

Investments in joint ventures are recognized using the equity method.

F) SCOPE OF CONSOLIDATION

The consolidated financial statements at 31 December 2018 include the financial and operating information of I.M.A. Industria Macchine Automatiche S.p.A. (Parent Company) and of all the companies over which it exercises direct or indirect control.

A list of the companies included in the consolidation is provided in paragraph H of the Notes, with an indication of the consolidation method used.

The following are the main events that took place in 2018:

- in January 2018 GIMA S.p.A., a subsidiary of IMA S.p.A., acquired the other 24% of IMA Automation Malaysia Sdn. Bhd. for 2,000 thousand Swiss francs, after exercising the option foreseen in the contract;

- on 5 April 2018, IMA, through its subsidiary GIMA S.p.A., exercised the option to purchase a further 31% of Petroncini Impianti S.p.A., with operations based in Sant'Agostino (FE), which is market leader in machinery for the production of coffee, thereby bringing its overall interest in the company to 80%. See Note 30 "Business combinations" for further information;
- on 4 May 2018, IMA S.p.A. completed the closing for the purchase of 82.5% of TMC S.p.A, based in Castel Guelfo (BO), which produces and markets automatic machines for packaging and management of Tissue and Personal Care products. See Note 30 "Business combinations" for further information;
- on 1 June 2018 GIMA S.p.A. bought the residual 20% of Mapster S.r.l. from third parties, bringing its stake in the company to 100%, as commented on in Note 14 Minority interests;
- on 1 June 2018 IMA S.p.A. bought 80% of Fillshape S.r.l. from GIMA S.p.A. and the other 20% from third parties as commented on in Note 14; in December 2018, the merger deed for the absorption of Fillshape S.r.l., a wholly-owned subsidiary, by IMA S.p.A. was signed, with effect from 1 January 2019;
- on 25 June 2018 IMA S.p.A. completed the closing for the purchase of 70% of Ciemme S.r.l., with registered office in Albavilla (Como), which manufactures and sells end-of-line automatic machines. See Note 30 "Business combinations" for further information;
- on 18 July 2018 GIMA S.p.A., a subsidiary of IMA S.p.A., acquired the other 25% interest in Telerobot S.p.A., already fully consolidated, for an amount of 2,625 thousand euros, after exercising its contractual option;
- on 20 December 2018, IMA S.p.A. completed the closing of the sale of 60% of its investment in IMA Dairy & Food Holding GmbH to TB Tauris Italia S.r.l.; following this transaction, the residual investment was included in investments in associate companies at 31 December 2018. The value of the transaction was 18,000 thousand euros, of which 13,000 thousand euros was paid at the closing with the rest to be paid by June 2019. The sale resulted in a loss of 26,165 thousand euros, including ancillary expenses of 1,580 thousand euros; for further information, see Note 28 Profit (loss) from discontinued activities/disposal groups.

G) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The changes reported below have been calculated on figures at 31 December 2017 for balance sheet items and on figures for the year 2017 for income statement items. The 2017 income statement figures have been restated following the sale in 2018 of 60% of IMA Dairy & Food Holding GmbH as mentioned in Note 28.

1. Segment information

Operating segments have been identified based on the internal reports used by senior management to allocate resources and evaluate the results of each business.

The Group's activities comprise the following operating segments:

Tea, Food & Other

It produces machines for the packaging of tea and herbal teas in filter bags and the packaging of coffee in pods for the food & beverage sector, the personal care sector, end-of-line equipment and the dairy sector, as well as for stock cubes and primary packaging in the food sector with the use of flexible material (horizontal and vertical flow packs) for assembling medical products, for the tissue sector, plus related services.

Operations in this sector are mainly carried out by these companies:

- IMA S.p.A. manufactures:
  - machines for the packaging of tea and herbs in filter bags and the packaging of coffee in pods, through the Tea & Herbs Division;
  - end-of-line machines through the BFB Division;

- Benhil GmbH and Hassia Packaging Pvt. Ltd. produce machines for forming, filling and sealing, for containers and sticks, for ultraclean closure and wrappers;
- Ciemme S.r.l. produces automatic end-of-line cartoning machines and systems;
- Corazza S.p.A. produces machines and plant for the dosing and packaging of cheese portions and stock cubes;
- Eurosicma S.p.A. and Eurotekna S.r.l. manufacture machines and systems for horizontal flowpack and fold packaging for the food and cosmetics industries;
- GIMA S.p.A. produces machines for the coffee, food & beverage and personal care sectors;
- Ilapak International SA, Ilapak Italia S.p.A., Ilapak (Beijing) Packaging Machinery and Delta Systems & Automation Inc. produce automated machines and lines for flexible food and non-food packaging, using horizontal and vertical packaging technologies;
- IMA MAI S.A. manufactures machines for the packaging of tea and herbal teas in filter bags;
- IMA Medtech Switzerland SA, IMA Automation USA Inc. and IMA Automation Malaysia Sdn. Bhd. manufacture machines for assembling medical products for self-medication, such as inhalers, insulin syringes and injection systems;
- Mapster S.r.l. manufactures automatic machines for the filling and packaging of single-serve coffee capsules;
- Petroncini Impianti S.p.A. designs, manufactures, installs and operates complete plants for the processing of coffee and related food products;
- Revisioni Industriali S.r.l. refurbishes second-hand machines for processed cheese and tea and herbs in filter bags;
- Teknoweb Converting S.r.l. produces machines for the production of wet wipes (converting sector);
- Telerobot S.p.A. manufactures machinery for the assembly of plastic materials in the caps and closures sector;
- Tissue Machinery Company S.p.A. and Valley Tissue Packaging Inc. produce automatic machines for packaging and management of Tissue and Personal Care products.

Pharmaceutical

Machines for the packaging of pharmaceutical capsules and tablets in blisters and bottles, machines for filling bottles and vials with liquid and powdered products in sterile and non-sterile environments, machines for freeze-drying, tube-filling and cartoning, systems for the production of tablets and capsules and for coating and granulation, as well as related services. Operations in this sector are mainly carried out by these companies:

- IMA S.p.A. manufactures:
  - blister-pack machines, machines for the packaging of gelcaps, capsules and tablets and cartoning machines through IMA Safe division;
  - machines for the bottling of liquid products and powders under sterile and non-sterile conditions and freeze-drying systems through the IMA Life division;
  - tablet pressing machines, capsule filling machines, coating and granulating machines, machines for the movement of powders and depowdering of tablets through the IMA Active division;
- CO.MA.DI.S. S.p.A. manufactures tube-filling machines for the pharmaceuticals, cosmetics, chemicals and food industries;
- G.S. Coating Technologies S.r.l. manufactures coating machines;

- IMA Life The Netherlands B.V., IMA Life North America Inc. and IMA Life (Beijing) Pharmaceutical Systems Co. Ltd. manufacture freeze-drying plants for the pharmaceutical industry;
- IMA-PG India Pvt Ltd. operates in the production of blister and cartoning machines, mainly for the emerging nations;
- IMA Swiftpack Ltd. and IMA North America Inc. manufacture machines for the bottling of capsules and tablets for the pharmaceutical industry;
- Pharmasiena Service S.r.l. produces filling systems for phials and syringes under sterile conditions;
- Shanghai Tianyan Pharmaceutical Machinery Co. Ltd. produces filling systems under sterile conditions.

Tobacco packaging

It designs, manufactures and markets machines and plants for tobacco packaging and related services. Activities in this sector are carried out by GIMA TT S.p.A.

Analysis by business segment

Information by business segment for 2018 and 2017 is shown below:

in thousands of euros	2018 Tea, Food & Other	 Pharma-ceutical	 Tobacco packaging	 Not allocated (*)	 Total
Revenue from contracts with customer	686,170	631,269	182,932	—	1,500,371
Segment operating profit	38,906	99,024	72,127	—	210,057
Net financial income(expense) (**)					(538)
Profit (loss) from investments accounted for using the equity method	561	2,358	—	(500)	2,419
Profit before taxes					211,938
Taxes					(61,180)
Net profit from continuing operations					150,758
Profit (loss) from discontinued operations/ disposal groups	(26,165)	—	—	—	(26,165)
Profit for the year					124,593

in thousands of euros	2017 Tea, Food & Other	 Pharma-ceutical	 Tobacco packaging	 Not allocated (*)	 Total
Revenue from contracts with customer	602,562	565,875	151,761	—	1,320,198
Segment operating profit	40,668	83,914	61,233	—	185,815
Net financial income(expense) (**)					(15,266)
Profit (loss) from investments accounted for using the equity method	522	789	—	(30)	1,281
Profit before taxes					171,830
Taxes					(52,392)
Net profit from continuing operations					119,438
Profit (loss) from discontinued operations/ disposal groups	(20,013)	—	—	—	(20,013)
Profit for the year					99,425

(*) Not allocated amount relate to investments not directly attributable to the operating sectors.

(**) Financial income and expense have not been allocated to the individual operating segments as it is not possible to indicate specific amounts for each segment; this breakdown is not used in internal reporting.

The following table gives a breakdown of revenue by business segment, with changes in revenues over the corresponding period of 2017:

in thousands of euros	2018	2017	Change
Tea,Food & Other	686,170	602,562	83,608
Pharmaceutical	631,269	565,875	65,394
Tobacco packaging	182,932	151,761	31,171
Total	**1,500,371**	**1,320,198**	**180,173**

Consolidated revenue in 2018 amounted to 1,500,371 thousand euros, an overall increase of 13.6%, of which 8.7% due to the organic growth, with respect to the previous year. Revenue by segment is discussed below:

- the Tea, Food & Other sector recorded a 13.9% increase in revenue over the previous year, thanks to the contribution of the TMC, Ciemme and Petroncini businesses (64,674 thousand euros), generally confirming the strong leadership position held by the Group in these niche markets;
- the Pharmaceutical sector shows an increase in revenue of 11.6%;
- the Tobacco sector is showing strong growth (+20.5%) compared with the previous year, confirming the success of the product.

No one third-party customer represents 10% or more of consolidated revenue.

The following table shows operating profit by segment:

in thousands of euros	2018	2017	Change
Tea,Food & Other	38,906	40,668	(1,762)
Pharmaceutical	99,024	83,914	15,110
Tobacco packaging	72,127	61,233	10,894
Total	**210,057**	**185,815**	**24,242**

The operating profit of the Tea, Food & Other sector amounted to 38,906 thousand euros (5.7% of revenue) compared with 40,668 thousand euros in 2017 (6.7% of revenue), after having deducted non-recurring charges of 6,346 thousand euro (4,113 thousand euros the previous year).

The Pharmaceutical sector has seen a sharp increase over the previous year as a result of higher profitability of contracts due to an improved sales margins of certain products that have achieved the expected levels of profitability.

The operating profit of the Tobacco sector has grown (+17.8%) compared with the previous year, mainly due to the increase in sales volumes.

The tables below provide other income statement information regarding Group operations by sector for 2018 and 2017:

in thousands of euros	**2018** Tea,Food & Other	Pharma-ceutical	Tobacco packaging	Total
Amortization,depreciation, impairment and writed owns	30,266	12,411	894	43,571
Other non-monetary costs(revenues)	6,725	3,025	195	9,945

in thousands of euros	**2017** Tea,Food & Other	Pharma-ceutical	Tobacco packaging	Total
Amortization,depreciation, impairment and write downs	21,400	11,086	466	32,952
Other non-monetary costs(revenues)	3,586	2,663	1,562	7,811

Capital expenditure by operating segment are as follows:

in thousands of euros	2018	2017	Change
Tea,Food & Other	188,991	62,098	126,893
Pharmaceuticasl	19,430	17,857	1,573
Tobacco packaging	3,629	3,140	489
Total	**212,050**	**83,095**	**128,955**

See Note 30 as regards the allocation of the intangible assets recognized in 2018 in connection with the acquisition of Petroncini Impianti S.p.A., TMC Group and Ciemme S.r.l. for 154,325 thousand euros, attributable to the Tea, Food & Other sector.

Balance sheet information at 31 December 2018 is shown below:

	31 December 2018				
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Non allocated (*)	Total
Segment operating assets	790,372	457,096	89,866	—	1,337,334
Investments accounted for using the equity method	28,362	14,772	—	9,775	52,909
Financial assets	—	2,319	2,228	65,140	69,687
Deferred tax assets					49,226
Income tax receivables					9,810
Cash and cash equivalents					140,867
Total assets					1,659,833

	31 December 2018				
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Non allocated	Total
Segment operating liabilities	372,624	357,678	52,055	—	782,357
Borrowings					389,810
Deferred tax liabilities					58,789
Income tax liabilities and other provision for risks					7,943
Total liabilities					1,238,899

(*) *Not allocated amount relate to investments and financial assets not directly attributable to the operating sectors.*

Balance sheet information at 31 December 2017 is shown below:

	31 December 2017				
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Non allocated (*)	Total
Segment operating assets	700,964	389,590	69,331	—	1,159,885
Investments accounted for using The equity method	17,730	11,936	—	10,659	40,325
Financial assets	—	2,438	—	20,477	22,915
Deferred tax assets					67,879
Income tax receivables					9,396
Cash and cash equivalents					206,681
Total assets					1,507,081

in thousands of euros	31 December 2017 Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Non allocated	Total
Segment operating liabilities	378,518	320,078	66,759	—	765,355
Borrowings					275,939
Deferred tax liabilities					61,528
Income tax liabilities and other provision for risks					13,735
Total liabilities					1,116,557

(*) *Not allocated amount relate to investments and financial assets not directly attributable to the operating sectors.*

Following the adoption of IFRS 15, the Group has broken down the revenue from contracts with customers into categories that illustrate how economic factors affect the nature, amount, timing and degree of uncertainty of revenue and financial flows. Both the information provided in the presentations to investors and the information periodically reviewed by the highest operational decision-making level were considered and therefore the breakdown of revenue subsequently presented in three categories was considered appropriate: geographical area, category of business and timing of recognition.

Analysis by geographical area

in thousands of euros	2018 Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
European Union (excluding Italy)	203,059	191,123	55,828	450,010
Other European countries	67,032	37,831	10,109	114,972
North America	153,024	88,097	6	241,127
Asia & Middle East	114,384	157,370	103,909	375,663
Italy	74,744	81,561	11,348	167,653
Other countries	73,927	75,287	1,732	150,946
Total	686,170	631,269	182,932	1,500,371

in thousands of euros	2017 Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
European Union (excluding Italy)	205,749	152,863	42,263	400,875
Other European countries	61,232	29,398	16,966	107,596
North America	120,777	103,869	657	225,303
Asia & Middle East	87,133	157,256	46,049	290,438
Italy	62,948	58,009	41,639	162,596
Other countries	64,723	64,480	4,187	133,390
Total	602,562	565,875	151,761	1,320,198

Revenue is allocated according to the geographical area of the invoiced customer.

The changes in the breakdown of revenue by geographical area are discussed below:

- revenue from European Union countries, excluding Italy, is growing in Germany, France, Poland, Spain, Denmark and Greece;
- sales in other European countries are increasing compared with the previous year, especially in Russia and Switzerland;
- North America is growing significantly in a context essentially without significant local competition;
- Asia & Middle East grew by 29.3% overall, confirming the importance of this market that always generates more than 20% of the Group's sales, confirming past trends. The progress in local

economies is generating an improvement in production standards closer to those of the West and as a consequence a demand for machinery more in line with what we can offer. In particular, there has been growth in China, Japan, India and South Korea;

- revenue from other countries reflects a variety of trends with growth in Mexico, Argentina and Nigeria;
- the rise in Italy was solely due to the higher number of projects with respect to the prior year. These fluctuations recur annually since revenue depends on the level of investment projects of the pharmaceutical companies, which is inevitably unstable in a small market like Italy.

Non-current assets other than unallocated financial instruments and deferred tax assets of the IMA Group analyzed by geographical area are as follows:

in thousands of euros	31.12.2018	31.12.2017
Italy	449,699	253,688
European Union (excluding Italy)	62,004	141,101
Other European countries	38,055	41,011
North America	43,673	35,664
Asia& Middle East	24,349	24,923
Other countries	10,038	8,335
Total	**627,818**	**504,722**

Operations are allocated to the geographical areas in which they are located. The increase in Italy mainly reflects the acquisition of the TMC Group, Ciemme S.r.l. and Petroncini Impianti S.p.A.

Revenue by business category

	2018			
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Original Equipment	509,028	412,623	119,988	1,041,639
After-Sales	177,142	218,646	62,944	458,732
Total	686,170	631,269	182,932	1,500,371

	2017			
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Original Equipment	449,321	372,940	105,098	927,359
After-Sales	153,241	192,935	46,663	392,839
Total	602,562	565,875	151,761	1,320,198

Original equipment substantially refers to machines and contract work, while the after-sales item consists of post-sales activities such as technical assistance, spare parts and change parts.

Revenue by timing of recognition

	2018			
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Revenue at a point in time	396,685	278,332	60,708	735,725
Revenue over time	289,485	352,937	122,224	764,646
Total	686,170	631,269	182,932	1,500,371

in thousands of euros	2017 Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Revenue at a point in time	382,124	286,098	47,053	715,275
Revenue over time	220,438	279,777	104,708	604,923
Total	602,562	565,875	151,761	1,320,198

Contract work and part of technical assistance, in particular start-up services, represent obligations to be fulfilled over time. The machines, change parts, spare parts and other materials and the after-sales technical assistance represent obligations to fulfil at a point in time.

As mentioned in section "Implementation of accounting standards", the adoption of IFRS 15 had an incremental effect on 2018 revenue of 10,757 thousand euros, relating to the Tea, Food & Other sector for 2,822 thousand euros, Pharmaceutical for 5,699 thousand euros and Tobacco for 2,236 thousand euros.

The following table shows the size of the backlog at the end of the year:

in thousands of euros	
Tea, Food & Other	326,065
Farma	561,994
Tobacco packaging	53,469
Total	**941,528**

It is expected that approximately 88% of orders not yet processed at 31 December 2018 will be completed during the next year.

2. Property, plant and equipment

The changes during the year were as follows:

in thousands of euros	Land	Buildings and leasehold improv.	Plant and machinery	Industrial & comm. equipment	Other assets	Assets under construction and advances	Total
Balance at 01.01.2017							
Gross amount	13,086	68,760	56,920	31,902	41,661	7,881	220,210
Accumulated depreciation and write-downs	(20)	(30,231)	(42,792)	(26,447)	(32,545)	—	(132,035)
Balance at 01.01.2017	**13,066**	**38,529**	**14,128**	**5,455**	**9,116**	**7,881**	**88,175**
Additions	83	6,641	4,172	2,090	5,406	2,742	21,134
Sales and eliminations	(782)	(341)	(266)	(21)	(69)	—	(1,479)
Change in scope of consolidation	31	231	1,470	42	196	—	1,970
Depreciation	—	(4,550)	(3,509)	(2,027)	(3,066)	—	(13,152)
Reclassifications and other changes	—	6,153	1,801	274	(177)	(7,002)	1,049
Exchange rate difference	(324)	(984)	(622)	(88)	(221)	(366)	(2,605)
Balance at 31.12.2017	**12,074**	**45,679**	**17,174**	**5,725**	**11,185**	**3,255**	**95,092**
Balance at 01.01.2018							
Gross amount	12,094	80,136	62,730	35,124	42,879	3,255	236,218
Accumulated depreciation and write-downs	(20)	(34,457)	(45,556)	(29,399)	(31,694)	—	(141,126)
Balance at 01.01.2018	**12,074**	**45,679**	**17,174**	**5,725**	**11,185**	**3,255**	**95,092**
Monetary revaluation for hiperinflation	—	—	497	—	5	—	502
Additions	2,838	13,278	9,077	1,750	5,132	3,588	35,663
Sales and eliminations	—	(12)	(391)	(65)	(102)	—	(570)
Sale of 60%of IMA D&F	(2,111)	(2,996)	(1,891)	(1,412)	(746)	(231)	(9,387)
Change in scope of consolidation	780	1,746	678	861	855	—	4,920
Depreciation	—	(5,193)	(4,347)	(1,948)	(3,518)	—	(15,006)
Reclassifications and other changes	—	233	1,219	97	29	(934)	644
Exchange rate difference	(35)	279	(216)	3	(8)	9	32
Balance at 31.12.2018	**13,546**	**53,014**	**21,800**	**5,011**	**12,832**	**5,687**	**111,890**
Gross amount	13,566	83,774	70,896	33,521	44,390	5,687	251,834
Accumulated depreciation and write-downs	(20)	(30,760)	(49,096)	(28,510)	(31,558)	—	(139,944)
Balance at 31.12.2018	**13,546**	**53,014**	**21,800**	**5,011**	**12,832**	**5,687**	**111,890**

Land and buildings refer to the following Group companies:

in thousands of euros	Land 31.12.2018	Land 31.12.2017	Buildings 31.12.2018	Buildings 31.12.2017
IMA S.p.A.	2,299	1,757	2,897	1,588
Ciemme S.r.l.	780	n.a.	1,581	n.a.
Delta Systems & Automation Inc.	1,208	1,153	5,036	4,980
Erca S.A.S.	n.a.	2,000	n.a.	1,937
GIMA S.p.A.	2,556	573	8,154	1,068
Hassia Packaging Pvt. Ltd.	43	45	591	641
Hassia Verpackungsmaschinen GmbH	n.a.	111	n.a.	838
Ilapak Inc.	166	158	928	957
Ilapak Italia S.p.A.	763	450	1,660	1,738
Ilapak Sp. Z o.o.	445	459	873	929
Ilapak Verpackungsmaschinen GmbH	115	115	496	512
IMA FranceEurl	183	183	374	393
IMA-PGIndia Pvt. Ltd.	1,980	2,062	1,319	1,379
Società del Sole S.r.l.	2,977	2,977	—	—
Other	31	31	209	215
Total	**13,546**	**12,074**	**24,118**	**17,175**

Leasehold improvements totalled 28,896 thousand euros (28,504 thousand euros at 31 December 2017).

The increases in buildings and leasehold improvements mainly relate to the costs incurred to expand and improve buildings leased by the Parent Company, 3,463 thousand euros (4,452 thousand euros in 2017), to the industrial building in Collecchio (PR) and to the property in Zola Predosa (BO), as explained in Note 15.

As regards the sale of 60% of IMA Dairy & Food Holding GmbH, reference should be made to the Scope of Consolidation section.

The change in the scope of consolidation reflects the acquisition of Petroncini Impianti S.p.A., the TMC Group and Ciemme S.r.l., as discussed in Note 30.

The “Currency revaluation due to hyperinflation” relates to the Argentine subsidiary IMA MAI S.A.

“Other assets” comprise:

in thousands of euros	31.12.2018	31.12.2017
Electronic office machines	7,210	5,821
Office furniture and fittings	2,828	2,956
Vehicles	1,996	1,842
Other	798	566
Total	**12,832**	**11,185**

The net book value of assets under finance lease is broken down by category as follows:

in thousands of euros	31.12.2018	31.12.2017
Land	2,842	335
Buildings	8,985	935
Plant and equipment	20	1
Other	605	537
Total	**12,452**	**1,808**

In 2018, the subsidiary GIMA S.p.A. acquired the property in Zola Predosa (BO) under a finance lease. It was previously being rented and it is where the company currently has its registered office, offices and production plants. The lease has a duration of 8 years, amount financed of 8,840 thousand euros, an advance fee of 20% and a redemption price equal to 10% of the amount financed. A derivative contract to hedge against interest rate risk was stipulated for this transaction.

In addition, at 31 December 2018 leased assets essentially relate to the contract for the factory in Krakow (Poland) used by Ilapak Sp. Z o.o. (this contract was signed with BZ WBK Finanse & Leasing S.A. in 2009 and expires in February 2019), as well as to the Parent Company's industrial building in Collecchio (PR).

See Note 15 for information on minimum future lease payments.

Financial charges directly attributable to property, plant and equipment are generally recognized in the income statement because the Group does not have any assets that normally take a substantial period of time to make ready for use.

There are no restrictions on ownership or tangible assets pledged as security for liabilities. There are no internal or external elements to suggest that assets have suffered an impairment in value.

3. Intangible assets

The changes during the year break down as follows:

in thousands of euros	Development costs	Industrial patent rights	Software licences, trademarks and similar	Goodwill	Assets under dev.and advances	Total
Balances at 01.01.17						
Gross amount	196,064	23,987	130,431	152,502	8,744	511,728
Accumulated amortization and write-downs	(95,502)	(18,394)	(65,059)	—	—	(178,955)
Balances at 01.01.17	**100,562**	**5,593**	**65,372**	**152,502**	**8,744**	**332,773**
Additions	3,605	1,703	5,387	—	9,439	20,134
Sales and eliminations	—	(113)	(1)	—	—	(114)
Changes in scope of consolidation	196	66	36	—	—	298
Acquisition of business divisions/companies	—	—	—	41,827	—	41,827
Amortization	(17,001)	(1,634)	(8,251)	—	—	(26,886)
Write-downs/Impairment	—	(34)	—	—	(2,904)	(2,938)
Reclassifications and other changes	2,598	—	2	(1,710)	(2,600)	(1,710)
Exchange rate difference	(15)	(34)	(101)	(980)	(92)	(1,222)
Balances at 31.12.17	**89,945**	**5,547**	**62,444**	**191,639**	**12,587**	**362,162**
Balances at 01.01.18						
Gross amount	202,060	25,287	134,680	191,639	12,587	566,253
Accumulated amortization and write-downs	(112,115)	(19,740)	(72,236)	—	—	(204,091)
Balances at 01.01.18	**89,945**	**5,547**	**62,444**	**191,639**	**12,587**	**362,162**
Monetary revaluation for hiperinflation	—	19	1	—	—	20
Additions	4,645	1,705	5,941	—	9,771	22,062
Sales and eliminations	—	(242)	(1)	—	—	(243)
Sale of 60%of IMA D&F	(32,727)	—	(34,255)	(1,745)	(980)	(69,707)
Changes in scope of consolidation	3,006	250	1,229	—	—	4,485
Acquisition of Petroncini Impianti S.p.A.	7,706	—	11,445	8,191	—	27,342
Acquisition of TMC Group	22,934	—	45,725	36,623	—	105,282
Acquisition of Ciemme S.r.l.	4,808	—	10,762	6,131	—	21,701
Amortization	(17,160)	(1,781)	(9,624)	—	—	(28,565)
Reclassifications and other changes	22,911	48	9,413	(18,768)	(4,546)	9,058
Exchange rate difference	(3)	(12)	11	303	84	383
Balances at 31.12.18	**106,065**	**5,534**	**103,091**	**222,374**	**16,916**	**453,980**
Gross amount	220,315	27,204	173,618	222,374	16,916	660,427
Accumulated amortization and write-downs	(114,250)	(21,670)	(70,527)	—	—	(206,447)
Balances at 31.12.18	**106,065**	**5,534**	**103,091**	**222,374**	**16,916**	**453,980**

Development costs include the costs incurred for unpatented technology, the useful life of which has been estimated to be between 5 and 10 years and is attributable to the following acquisitions:

- Ciemme S.r.l., occurred in 2018, for 4,568 thousand euros;
- TMC Group, occurred in 2018, for 21,889 thousand euros;

- Petroncini Impianti S.p.A., occurred in 2018, for 7,128 thousand euros;
- Eurosicma business for 16,583 thousand euros;
- Medtech business for 1,901 thousand euros;
- Benhil GmbH and Hassia Packaging Pvt Ltd. for 8,263 thousand euros;
- Ilapak Group for 7,692 thousand euros;
- Dairy&Convenience Food business of the Corazza Group for 3,706 thousand euros.

In addition, this caption includes costs of 11,237 thousand euros incurred by the Parent Company on projects related to the Pharmaceutical sector and of 4,756 thousand euros on the development for the Tea sector.

As also mentioned in the report on operations, research and development costs that do not meet the requirements for capitalization were charged to profit and loss for an amount of 55,314 thousand euros (50,995 thousand euros in the previous period).

Industrial patents and intellectual property rights include costs incurred for the acquisition of rights deriving from applications for industrial patents, stated net of related amortisation. The increase is primarily due to the expenses incurred for the extension and maintenance of patents in other countries.

Software, licences, trademarks and other rights mainly include applications, management and technical software and intangible assets related to customers (“customer list”) and trademarks for 61,451 thousand euros and 30,145 thousand euros respectively, recognized following the acquisitions of Eurosicma, Ilapak, Corazza, TMC, Petroncini and Ciemme.

The increases during the year principally related to acquisition by the Parent Company of software and licenses relating to the commercial, marketing, administrative, logistics and technical areas.

Goodwill comprises the following:

in thousands of euros	31.12.2018	31.12.2017
Tea, Food & Other:		
CGU Benhil GmbH	21,186	—
CGU B.F.B. S.p.A.	1,788	1,788
CGU Ciemme S.r.l.	6,131	n.a.
CGU Eurosicma	12,793	31,561
CGU GIMA S.p.A.	1,658	1,658
CGU Corazza Group	18,863	18,863
CGU Dairy&Food Group	—	24,717
CGU Ilapak Group	4,117	4,117
CGU Teknoweb Group	13,281	13,281
CGU TMC Group	36,623	n.a.
CGU Hassia Packaging Pvt. Ltd.	1,786	—
CGU MAI S.A.	7,432	7,432
CGU Mapster S.r.l.	2,834	2,834
CGU Medtech	9,871	9,871
CGU Naturapack S.r.l.	8,723	8,723
CGU Petroncini Impianti S.p.A.	8,191	n.a.
CGU TEAMAC	749	749
CGU Telerobot S.p.A.	4,913	4,913
	160,939	**130,507**
Pharmaceutical:		
CGU CO.MA.DI.S. S.p.A.	3,782	3,782
CGU DOSA S.r.l.	840	840
CGU G.S. S.r.l. Coating System	7,402	7,402
CGU G.S. Coating Technologies S.r.l.	597	597
CGU Edwards Group	23,079	23,079
CGU Nova Group	13,666	13,391
CGU ICO OLEODINAMICI S.p.A.	1,567	1,567
CGU MKCS Inc.	609	581
CGU Pharmasiena Service S.r.l.	2,073	2,073
CGU Precision Gears Ltd.	4,027	4,027
CGU Shanghai Tianyan	854	854
CGU Zanchetta S.r.l.	2,939	2,939
	61,435	**61,132**
Total	**222,374**	**191,639**

The goodwill recognized on acquisitions of Petroncini Impianti S.p.A., the TMC Group and Ciemme S.r.l. is discussed in Note 30.

The change in the value of the Eurosicma CGU's goodwill, shown among the reclassifications in the statement of changes in intangible assets, mainly refers to completion of the initial recognition of the business combination that took place during the assessment period in the previous year. In particular, the goodwill, provisionally recorded, was reclassified to non-patented technologies, customer lists and trademarks, net of the related tax effect.

As mentioned in the section on "Accounting policies", goodwill, which is an intangible asset with an indefinite useful life, is tested for impairment.

The main assumptions, methods and parameters used in impairment testing are set out below.

The goodwill paid when acquiring companies, firms or business divisions is allocated to the cash generating units (CGUs) of the Group as represented by the individual companies or sub-groups to which they relate. Even if such companies had merged into the acquiring company after the acquisition and had thus lost their legal status, the Group organization into divisions makes it possible to identify the assets and the cash flows of said CGUs, and to check whether allocated goodwill is recoverable through the impairment test. The recoverable value of the CGUs to which goodwill is allocated is tested by determining their value in use, as represented by the present value of expected cash flows discounted using a rate that reflects the risks specific to each CGU at the measurement date.

The formulas used to test impairment and to calculate the terminal value are as follows:

$$V = \frac{\sum_{i=1}^{n} FCF_i}{\left(1+WACC\right)_i} + TV$$

$$TV = \frac{FCF_n * \left(1+g\right)}{WACC - g}$$

FCF = Free Cash Flow, or cash flow generated by operations

WACC = Weighted Average Cost of Capital

N = Number of years in the discount period

TV = present value of the Terminal Value, i.e. the value of the cash flows generated after the end of the discount period

FCFn = Free Cash Flow sustainable after the end of the discount period

g = Growth rate of the business beyond the assumed period of the plan

Management has assumed an explicit forecast period of 3 years. At the end of the explicit forecast period (2021), a “normalized flow” is also calculated in order to estimate the terminal value.

The CGU’s weighted average cost of capital (WACC) is used as the discounting rate, as determined from a detailed analysis of the capital structure of each CGU. The Capital Asset Pricing Model is used. This mathematical model determines the rate by summing the returns from a risk-free asset with the market risk premium. In turn, the market risk premium is found by multiplying the market average risk by the beta for the specific sector. The principal assumptions underlying the application of this method involved estimating the future increases in sales, the gross margin, operating costs, the rate of growth of terminal values, capital investment, operating capital and the weighted-average cost of capital (discount rate). The cash flows are estimated on the basis of the 2019 budget (approved by the Board of Directors on 15 March 2019) and the 2020-2021 business plan (already discussed at a Board meeting); they are then discounted at rates that reflect current market valuations of the cost of capital taking account of the specific risk profile of each CGU.

The growth rate *g* used is zero for the sake of prudence. This means that any sensitivity analysis, designed to measure the change in results on a change in the assumptions used for the growth rate, including changes in the other parameters contributing to formation of the WACC, would result in better impairment results.

Given the current situation of market volatility and uncertainty about future economic prospects, sensitivity analyses were carried out on the recoverable value of goodwill. In particular, a sensitivity analysis was performed on the recoverable value of the individual CGUs, assuming an increase of one percentage point in the component of the discount rate represented by the market risk premium. These sensitivity analyses confirmed the full recoverability of goodwill, with the exception of the TMC and Petroncini CGUs, for which there was a potential negative difference between the recoverable value and the carrying amount.

The table shows the detailed growth assumptions used in the forecasts and the discount rates applied in the impairment procedures:

	Goodwill	Average weighted cost of capital employed WACC %	CAGR 2019-2021 Sales %
CGU Benhil GmbH	21,186	4.83	6.00
CGU Ciemme S.r.l.	6,131	6.82	2.00
CGU Eurosicma	12,793	6.82	3.00
CGU GIMA S.p.A.	1,658	6.82	3.00
CGU Corazza Group	18,863	6.82	2.00
CGU Ilapak Group	4,117	6.23	2.50
CGU Teknoweb Group	13,281	6.83	2.00
CGU TMC Group	36,623	6.82	8.37
CGU Hassia Packaging Pvt. Ltd.	1,786	9.39	9.89
CGU MAI S.A.	7,432	11.84	7.50
CGU Mapster S.r.l.	2,834	6.82	11.00
CGU Medtech	9,871	4.89	2.00
CGU Naturapack S.r.l.	8,723	6.82	5.00
CGU Petroncini Impianti S.p.A.	8,191	6.82	19.25
CGU Telerobot S.p.A.	4,913	6.82	2.00
CGU CO.MA.DI.S. S.p.A.	3,782	6.82	2.00
CGU G.S. S.r.l. Coating System	7,402	6.82	4.00
CGU Edwards Group	23,079	6.99	0.50
CGU Nova Group	13,666	6.48	3.69
CGU ICO OLEODINAMICI S.p.A.	1,567	6.82	4.00
CGU Pharmasiena Service S.r.l.	2,073	6.82	6.00
CGU Precision Gears Ltd.	4,027	9.39	5.23
CGU Zanchetta S.r.l.	2,939	6.82	4.00

Management has formalised separate impairment tests, indicating:

- the object and reasons for the Group's acquisition;
- identification of the intangibles and their allocation to the CGU;
- the business plan of the CGU;
- the definition of recoverable value.

The assumptions used in calculating the impairment included in the business plan of each CGU and the results achieved have been approved by the Board of Directors of IMA S.p.A., independently and prior to these financial statements.

The impairment tests of goodwill conducted in accordance with IAS 36 did not lead to any writedowns.

In addition, during prior years, the amounts of goodwill of the Nova Group, Zanchetta and ICO OLEODINAMICI CGUs were written down by 757 thousand euros, 2,500 thousand euros and 1,500 thousand euros, respectively.

Assets under development and advances mainly relate to the capitalization of development costs incurred by the Parent Company (9,798 thousand euros) and IMA Automation USA Inc. (1,790 thousand euros) and concern new products that were not previously available and are targeted at new market segments.

Construction in progress has been checked and no adjustments have emerged.

4. Investments accounted for using the equity method

Below is a breakdown:

in thousands of euros	31.12.2018	31.12.2017
Associates:		
Amherst Stainless Fabrication LLC	356	317
Atopbi S.p.A.	16,322	15,761
B.C. S.r.l.	2,992	2,706
Bacciottini F.lli S.r.l.	852	751
BLQ S.r.l.	173	n.a.
Bolognesi S.r.l.	1,139	1,064
Doo Officina-Game East Vrsac	341	340
I.E.M.A. S.r.l.	1,498	1,239
IMA Dairy & Food Holding GmbH	12,000	n.a.
Inkbit LLC	2,110	2,274
LA.CO S.r.l.	508	525
Logimatic S.r.l.	941	775
Meccanica Sarti S.r.l.	1,214	1,214
MORC 2 S.r.l.	1,696	1,606
O.M.S. Officina Meccanica di Sonico S.r.l.	1,040	n.a.
Petroncini Impianti S.p.A.	n.a.	1,969
Powertransmission.it S.r.l.	205	174
RO.SI S.r.l.	347	n.a.
SIL.MAC. S.r.l.	1,055	821
STA.MA. S.r.l.	134	119
Talea S.r.l.	211	211
Sirio S.p.A. Associazione in partecipazione	3,298	3,948
Other investments	321	289
	48,753	**36,103**
Joint venture:		
CMRE S.r.l.	4,156	4,222
	4,156	**4,222**
Total	**52,909**	**40,325**

During 2018, the subsidiary Packaging Manufacturing Industry S.r.l. acquired 40% of O.M.S. Officina Meccanica di Sonico S.r.l., based in Sonico (BS), which operates in the field of mechanical parts engineering and the construction of machines.

Trade payables to associates reflects the Group's constant commitment in pursuing close collaboration with those suppliers that play a key role in production, also by considering the possibility of becoming shareholders in their companies.

Brief information about transactions with associates is given below:

- Amherst Stainless Fabrication LLC operates in the field of mechanical engineering and industrial assembly;
- Atopbi S.p.A. has a 84% interest in Atop S.p.A., one of the world's leading manufacturers of innovative machines and automatic lines for manufacturing electric motors and rotors. It operates in various sectors: electric traction for sustainable mobility, automotive, household appliances and power tools;
- B.C. S.r.l. manufactures machine parts for the Group and third parties;
- Bacciottini F.lli S.r.l. processes sheet metal for pharmaceutical machinery;
- Bolognesi S.r.l. operates in the field of mechanical engineering and industrial assembly;
- Doo Officina-Game East Vrsa operates in the field of mechanical engineering, specialising in the construction of machines for third parties;

- I.E.M.A. S.r.l. designs and produces equipment for automated machinery;
- Inkbit LLC is a US start-up that specialises in industrial systems, software design and materials science;
- LA.CO. S.r.l. manufactures mechanical constructions and repairs machine tools;
- Logimatic S.r.l. operates in the marketing, distribution and testing of automatic machines;
- Meccanica Sarti S.r.l. is active in the construction of mechanical components for machinery;
- MORC 2 S.r.l. operates in the manufacture of industrial handling and automation systems.
- Powertransmission.it S.r.l. manufactures and sells engineering components, assemblies and complete plant;
- SIL.MAC. S.r.l. operates in the field of mechanical engineering, specialising in the construction of machines for third parties;
- STA.MA. S.r.l. is active in the assembly, construction and overhaul of automated machines;
- Talea Srl operates in the IT sector.

Other investments in associates consist of the following:

- Masterpiece S.r.l. which operates in the field of mechanical engineering;
- Scriba Nanotecnologie S.r.l. specializes in the study of hi-tech solutions against food adulteration and for tracking pharmaceuticals;
- BLQ S.r.l., CAIMA S.r.l., Consorzio L.I.A.M., FID S.r.l. Impresa Sociale, Me.Mo. S.r.l., RO.SI S.r.l. and S.I.Me. S.r.l.

CMRE S.r.l., founded in 2012 and active in the real estate sector, has the following key financial figures at 31 December 2018: assets 14,286 thousand euros, liabilities 5,972 thousand euros, equity 8,314 thousand euros and loss of the year 132 thousand euros.

The following table sets out the goodwill included in the carrying amount of the above equity investments at 31 December 2018:

in thousands of euros	31.12.2018	31.12.2017
Associates:		
Atopbi S.p.A.	13,871	13,871
Bolognesi S.r.l.	429	429
Bacciottini F.lli S.r.l.	158	158
I.E.M.A. S.r.l.	295	295
Inkbit LLC	1,752	—
LA.CO S.r.l.	129	129
Logimatic S.r.l.	158	158
Meccanica Sarti S.r.l.	1,103	1,103
MORC 2 S.r.l.	1,401	1,401
O.M.S. Officina Meccanica di Sonico S.r.l.	167	n.a.
Petroncini Impianti S.p.A.	n.a.	1,715
RO.SI S.r.l.	232	n.a.
Scriba Nanotecnologie S.r.l.	123	123
SIL.MAC. S.r.l.	131	131
Talea S.r.l.	145	145
Total	**20,094**	**19,658**

The Group does not have any associated companies that are individually significant; the Group's share of the aggregate amount of profit from associated companies accounted for using the equity method amounts to 2,485 thousand euros (1,346 thousand euros the previous year). The summary data was prepared using the financial statements at 31 December 2017 of the associated companies prepared in accordance with the national accounting standards; on the basis of our analyses, the adjustments to bring these financial statements into line with international accounting standards would not result in significant differences.

During 2018 Packaging Manufacturing Industry S.r.l. recognized dividends from associated companies totalling 1,186 thousand euros from Bacciottini F.lli S.r.l., Bolognesi S.r.l., I.E.M.A. S.r.l., LA.CO S.r.l., Logimatic S.r.l., Masterpiece S.r.l., MORC 2 S.r.l., SIL.MAC. S.r.l., STA.MA. S.r.l. and Talea S.r.l.

The Group does not have any joint ventures that are individually significant; the Group's share of the 2018 result of the CMRE S.r.l. joint venture accounted for using the equity method amounts to -66 thousand euros (-65 thousand euros the previous year).

At the reporting date, the Group assessed whether there is evidence that the investments in associates and joint ventures have suffered an impairment. In this case, the Group calculated the amount of the impairment as the difference between the recoverable value of the associated company or joint venture and their carrying value in its financial statements, recognizing this difference in the income statement.

As regards guarantees granted to associated companies and joint ventures please read Note 31.

5. Financial assets

The item breaks down as follows:

in thousands of euros	31.12.2018	31.12.2017
Non-current:		
- Financial assest measured at amortized cost	42,178	1,259
- Financial assest measured at FVOCI	4,888	2,728
- Financial assest measured at FVPL	439	982
	47,505	**4,969**
Current:		
- Financial assest measured at amortized cost	8,461	6,500
- Financial assest measured at FVOCI	12,901	11,446
- Financial assest measured at FVPL	820	—
	22,182	**17,946**
Total	**69,687**	**22,915**

The Group essentially holds financial assets at amortised cost mainly represented by financial receivables and financial assets valued at FVOCI, represented mainly by investments in other companies and investments in mutual funds.

As required by IFRS 9, for all investments in equity instruments (investments in other companies), at the time of initial recognition the Group irrevocably chose to present subsequent changes in fair value in the other components of comprehensive income (FVOCI), with the exception of Mint Street Holding S.p.A. These investments have been classified as FVOCI, accounting for the change in fair value in equity in consideration of their strategic nature.

At 31 December 2018, the Group does not have any financial assets held for trading purposes.

Non-current financial assets measured at amortised cost at 31 December 2018 essentially refer to the loan granted by the Parent Company to the associate IMA Dairy & Food Holding GmbH for 40,000 thousand euros.

Investments in other companies mainly include shares in Mint Street Holding S.p.A. for 439 thousand euros (982 thousand euros at 31 December 2017), shares in Continuus Pharmaceuticals Inc. for 1,382 thousand euros (1,382 thousand euros at 31 December 2017), shares in LPM.GROUP S.r.l. (formerly Plasticenter S.r.l.) for 937 thousand euros (937 thousand euros at 31 December 2017) and shares in AMT Labs S.p.A. for 2,228 thousand euros.

The 20% investment in AMT Labs S.p.A. acquired by GIMA TT S.p.A. in May 2018 is shown at fair value in accordance with IFRS 9 and IFRS 13. At 31 December 2018 the acquisition cost was deemed to be the best approximation of the fair value of the investment, as the change in the shareholders' equity of AMT Labs. S.p.A. between the date of the investment and the end of the year was not significant.

Current financial assets measured at amortised cost mainly consist of loans granted by the Parent Company and Packaging Manufacturing Industry S.r.l. to the joint venture CMRE S.r.l. and to some associates for a total of 6,276 thousand euros (3,330 thousand euros at 31 December 2017), as well as loans granted by Ilapak International SA to third parties for 2,058 thousand euros.

Current financial assets valued at FVOCI mainly include investment funds attributable to the Parent Company for 7,853 thousand euros, classified in level 3 of the fair value hierarchy, whose benchmark for measurement is their net asset value at 31 December 2018.

Movements in financial assets break down as follows:

in thousands of euros	2018	2017
Opening balance	22,915	16,705
Increases	52,304	7,677
Profit/(losses) recognized in OCI	540	226
Profit/(losses) recognized in PL	(543)	(364)
Change in scope of consolidation	753	11
Decreases	(6,109)	(1,035)
Exchange rate difference	(173)	(305)
Closing balance	**69,687**	**22,915**

6. Receivables from others

These include various guarantee deposits and a contract entered into by the Parent Company with Unipol Assicurazioni S.p.A. to provide for the severance indemnities of certain directors.

7. Derivative financial instruments

This item breaks down as follows:

in thousands of euros	Assets 31.12.2018	Liabilities 31.12.2018	Assets 31.12.2017	Liabilities 31.12.2017
Interest rate hedging instruments - cash flow hedges	—	3,808	—	2,129
Exchange rate hedging instruments - cash flow hedges	382	1,308	173	22
Total	**382**	**5,116**	**173**	**2,151**

Interest rate derivatives

The Group substantially uses interest rate derivatives (cash flow hedges) to manage the risk of changes in the interest rates on the bond and on the borrowings from banks, transforming part of them from floating to a maximum fixed rate via the purchase of IRS and caps and the sale of a floor.

At 31 December 2018, the amount of 3,724 thousand euros in liabilities represents the fair value of derivative contracts arranged by the Parent Company with leading credit institutions to hedge interest rate risk; such contracts are linked to a bond and to a portion of medium-term loans, maturing within 2023 and hedging a nominal value of 35.7 million US dollars and 180.0 million euros (42.9 million US dollars and 77.9 million euros at 31 December 2017). Furthermore, the residual amount of 84 thousand euros in liabilities represents the fair value of the interest rate hedging derivative contract entered into by GIMA S.p.A. on a nominal value of 6.8 million euros, as commented on in Note 2.

Exchange rate derivatives

For the purposes of the disclosure required by IFRS 7.24A, it should be noted that with regard to foreign exchange derivatives, as per Group Policy, only forward contracts are stipulated with 100% effectiveness. The other information requested is shown below.

The Group uses exchange rate derivatives to hedge future cash flows (cash flow hedges). The exposure to exchange rate risk is managed with forward purchase and sale contracts denominated in the billing currency of certain markets in which the Group operates.

At 31 December 2018, the amounts of 382 thousand euros in assets and 1,308 thousand euros in liabilities represent the fair value of these derivative contracts.

The notional amount of these exchange rate hedges were 62.8 million US dollars, 61.6 million Chinese yuan and 0.9 million Turkish Lire (4.8 million US dollars, 45.4 million Chinese yuan, 0.7 million Pounds Sterling and 12.8 million Turkish Lire at 31 December 2017).

All foreign currency derivatives at 31 December 2018 mature within 12 months.

8. Deferred tax assets and liabilities

At 31 December 2018, the deferred tax asset of 49,226 thousand euros (67,879 thousand euros at 31 December 2017), mainly relates to taxes recognized in 2012 on the release of the uplift in the carrying amounts of the controlling interests recorded in IMA S.p.A.'s consolidated financial statements and temporary differences arising on provisions; deferred tax liabilities amount to 58,789 thousand euros (61,528 thousand euros at 31 December 2017) and mainly relate to temporary differences between the book values of certain tangible and intangible assets and their values recognized for tax purposes.

The following table shows the net change in deferred tax assets and liabilities:

in thousands of euros	31.12.2018	31.12.2017
Opening balance at the beginning of the year	6,351	2,781
Credited/(Charged) to PL	(211)	4,167
Credited/(Charged) to equity	343	(900)
Change in scope of consolidation	(25,040)	248
Sale of 60% of IMA D&F	16,678	—
Exchange rate difference and other changes	(7,684)	55
Net amount at the end of the year	**(9,563)**	**6,351**

The main components of deferred tax assets and liabilities are presented below, together with the changes during the year and with respect to the prior year:

in thousands of euros	Accrued to provisions	Losses carried forward	Amortization	Income (losses) from fair value	Actuarial valuation	Other	Total
Balances at 01.01.2017	25,759	4,879	(45,437)	698	5,011	11,871	2,781
Effect on PL	1,237	17	3,229	—	—	(316)	4,167
Effect on equity	—	—	—	(285)	(615)	—	(900)
Change in scope of consolidation	323	—	—	—	13	(88)	248
Exchange rate difference and other changes	(440)	(167)	1,079	4	2	(423)	55
Balances at 31.12.2017	**26,879**	**4,729**	**(41,129)**	**417**	**4,411**	**11,044**	**6,351**
Effect on PL	(2,092)	(80)	4,029	—	—	(2,068)	(211)
Effect on equity	—	—	—	491	(148)	—	343
Change in scope of consolidation	2,769	213	(28,845)	—	159	664	(25,040)
Sale of 60% of IMA D&F	(2,096)	(1,497)	20,758	—	(2,478)	1,991	16,678
Exchange rate difference and other changes	(2,487)	2,619	(7,852)	—	(4)	40	(7,684)
Balances at 31.12.2018	**22,973**	**5,984**	**(53,039)**	**908**	**1,940**	**11,671**	**(9,563)**

"Other" mainly includes deferred tax assets relating to the franking of revaluations in 2012 and the elimination of unrealized intra-group profits.

At the reporting date, the amount of unused tax losses for which deferred tax assets have not been recognized amount to 2,421 thousand euros (69,749 thousand euros at 31 December 2017).

There are no critical issues that preclude the recoverability of the deferred tax assets.

9. Inventories

Below is a breakdown:

	31.12.2018			31.12.2017		
in thousands of euros	Gross value	Impairment provision	Net value	Gross value	Impairment provision	Net value
Raw, ancillary and consumable materials	76,587	(10,670)	65,917	72,992	(14,998)	57,994
Work in progress and semifinished goods	274,590	(34,730)	239,860	270,840	(33,344)	237,496
Finished products and goods for resale	16,825	(2,878)	13,947	17,347	(3,144)	14,203
Total	**368,002**	**(48,278)**	**319,724**	**361,179**	**(51,486)**	**309,693**

At 31 December 2018, the inventories belonging to Petroncini Impianti S.p.A., to the TMC Group and to Ciemme S.r.l. amounted to 1,593 thousand euros, 14,491 thousand euros and 1,420 thousand euros respectively. The increase in inventories since 31 December 2017 mainly reflects the substantial amount of the backlog at the end of the year. It should be noted that at 31 December 2017 the Dairy & Food business amounted to 16,146 thousand euros.

Movements in the impairment provisions in the period were as follows:

in thousands of euros	
Balances at 01.01.2017	**46,518**
Net provisions (uses)	5,048
Change in scope of consolidation	594
Exchange rate difference	(674)
Balances at 31.12.2017	**51,486**
Net provisions (uses)	(4,271)
Change in scope of consolidation	6,645
Sale of 60% of IMA D&F	(5,719)
Exchange rate difference	137
Balances at 31.12.2018	**48,278**

The decrease in the inventory allowance during the year mainly reflects the amounts released on the scrapping of obsolete goods by the Parent Company and certain Group companies.

The net increase in inventories reported in the consolidated cash flow statement differs from the change in the corresponding item of the balance sheet mainly as a result of inventories attributable to sales during the period and business combinations, as commented on in Notes 28 and 30.

10. Trade and other receivables and contract assets

Trade and other receivables

This item breaks down as follows:

in thousands of euros	31.12.2018	31.12.2017
Trade receivables	194,541	168,283
Advances to suppliers	23,359	21,586
Tax receivables	19,981	32,785
Deferred costs	9,585	5,844
Other receivables	10,246	3,892
Total	**257,712**	**232,390**

Trade receivables

Trade receivables include customer receivables of 183,084 thousand euros (161,010 thousand euros at 31 December 2017) and trade receivables from associates of 11,457 thousand euros (7,273 thousand euros at 31 December 2017).

At 31 December 2018, trade receivables attributable to business combinations carried out during the year came to a total of 18,586 thousand euros. It should be noted that at 31 December 2017 the Dairy & Food business amounted to 22,088 thousand euros.

Trade receivables from customers are carried net of accumulated provisions amounting to 18,392 thousand euros (18,908 thousand euros at 31 December 2017).

The changes in the bad debt provision during the year are summarized below:

in thousands of euros	2018	2017
Opening balance	**18,908**	**18,466**
Effect on PL	507	408
Uses	(1,595)	(536)
Change in scope of consolidation	1,486	706
Sale of 60% of IMA D&F	(934)	—
Exchange rate difference and other	20	(136)
Closing balance	**18,392**	**18,908**

Customer receivables falling due beyond 12 months amounted to 1,195 thousand euros (722 thousand euros at 31 December 2017).

Deferred payment terms granted to customers resident in countries presenting particular risks are guaranteed by suitable financial instruments to secure collection.

There are no significant financial components or rights to make returns.

Receivables assigned without recourse that had not yet fallen due at 31 December 2018 amounted to around 51,946 thousand euros (44,087 at 31 December 2017) of which 41,448 thousand euros is assigned to factoring companies and 10,498 thousand euros to other financial institutions. The period saw the assignment without recourse of receivables with an overall nominal value of around 86,386 thousand euros (65,321 thousand euros in 2017). The requirements for eliminating these receivables exist in accordance with IFRS 9.

The breakdown by maturity is as follows:

		Past due		
in thousands of euros	Not yet due	<12 months	>12 months	Total
31.12.2018				
Gross trade receivables	127,344	53,114	21,018	201,476
Bad debt provision	(2,394)	(1,009)	(14,989)	(18,392)
Net trade receivables	**124,950**	**52,105**	**6,029**	**183,084**
31.12.2017				
Gross trade receivables	115,703	45,418	18,797	179,918
Bad debt provision	(2,296)	(1,412)	(15,200)	(18,908)
Net trade receivables	**113,407**	**44,006**	**3,597**	**161,010**

The high credit standing of our customers, largely multinationals, and the lack of any significant concentration of credit by type or geographic area, reduce credit risk and thus the provision for bad debt is sufficient.

In particular, the recoverability of the carrying amount of receivables and the need for recognition of a possible write-down are the result of a process that involves subjective judgements by the Group.

The factors taken into consideration principally affect the creditworthiness of the counterparty, the amount and timing of expected future payments and any action taken or to be taken to recover the receivables.

ADVANCES TO SUPPLIERS

At 31 December 2018 these relate to advances paid to suppliers for inventory goods of 15,864 thousand euros (16,895 thousand euros at 31 December 2017) and services of 7,495 thousand euros (4,691 thousand euros at 31 December 2017).

This item also includes advances to associates of 3,327 thousand euros (2,667 thousand euros at 31 December 2017).

TAX RECEIVABLES

Tax receivables mainly consist of VAT recoverable.

OTHER RECEIVABLES

The item includes the residual amount of 5,000 thousand euros due from TB Tauris Italia S.r.l. in connection with the sale of 60% of the investment in IMA Dairy & Food Holding GmbH, as commented on in Note 28.

Contract assets

Contract assets relating to existing contract are shown net of the related advances, as illustrated below:

in thousands of euros	31.12.2018	31.12.2017
Contract assets related to contract works	432,606	361,209
Advances received	(243,111)	(204,267)
Total	**189,495**	**156,942**

These contract assets consist of the amount due from customers for contracts in progress at the end of the year, net of advances already received.

Contract work is recorded over a period of time and assessed according to the percentage of completion method based on inputs and is therefore to be considered as amounts due to expire.

Revenue from contract work in 2018 amounted to 726,141 thousand euros (617,106 thousand euros in 2017).

The net increase in trade and other receivables and contract work reported in the consolidated cash flow statement differs from the change in the corresponding item of the balance sheet as a result of trade receivables attributable to sales and business combinations during the period, as commented on in Notes 28 and 30.

11. Income tax receivables and payables

At 31 December 2018 income tax receivables and payables amount to 9,810 thousand euros and 7,368 thousand euros (9,396 thousand euros and 11,574 thousand euros respectively at 31 December 2017).

Income tax receivables include 4,805 thousand euros recorded by certain Italian Group companies that have presented claims for the reimbursement of IRES. These claims are linked to the previous non-deduction of the IRAP charged on personnel expenses incurred in the period 2007-2011.

The following companies form part of the domestic tax group: IMA S.p.A., CO.MA.DI.S. S.p.A., Corazza S.p.A., Packaging Manufacturing Industry S.r.l. and Revisioni Industriali S.r.l. as consolidated companies and SO.FI.MA. S.p.A. as the consolidating company. Furthermore, GIMA S.p.A. and Tissue Machinery Company S.p.A. as consolidating companies and Mapster S.r.l. and Asset Management Service S.r.l. as consolidated companies form part of the domestic tax group.

At 31 December 2018 receivables from SO.FI.M.A. S.p.A. amount to 3,680 thousand euros (receivables for 3,643 thousand euros and payables for 2,365 thousand euros at 31 December 2017).

12. Cash and cash equivalents

This item breaks down as follows:

in thousands of euros	31.12.2018	31.12.2017
Bank current accounts	140,561	203,264
Deposits	74	3,205
Cheques and cash	232	212
Total	**140,867**	**206,681**

For a better understanding of the trend in net financial indebtedness, reference should be made to Note 15.

13. Equity attributable to equity holders of the parent

	Shares in thousands	Share capital	Share premium reserve	Treasury shares
Balance at 01.01.2017	39,254	20,415	122,818	(71)
Capital increases	—	—	—	—
Distribution of dividends	—	—	—	—
Purchase and sale of treasury shares	—	—	—	—
Balance at 31.12.2017	**39,254**	**20,415**	**122,818**	**(71)**
Capital increases	—	—	—	—
Distribution of dividends	—	—	—	—
Purchase and sale of treasury shares	(101)	—	—	(5,518)
Balance at 31.12.2018	**39,153**	**20,415**	**122,818**	**(5,589)**

Share capital and share premium reserve

Share capital at 31 December 2018 is represented by the share capital issued (fully subscribed and paid up) by the Parent Company, IMA S.p.A., comprising 39,260,000 ordinary shares with a par value of 0.52 euros each.

Treasury shares

On 15 November 2018 the repurchase of treasury shares (share buy-back) was initiated in compliance with the authorisation given by the Shareholders' Meeting of IMA S.p.A. on 27 April 2018. Purchases were made on the MTA in compliance with article 144-bis, paragraph 1, letter b) of Consob Regulation 11971/1999 and other applicable provisions, in order to ensure compliance with the equal treatment of shareholders pursuant to art. 132 of the Consolidated Finance Act, as well as the operating procedures established in the organisation and management regulations of Borsa Italiana S.p.A.

Since the start of the programme, the Parent Company has carried out transactions in its own equity instruments in 2018 by acquiring 101,500 treasury shares for a total of 5,518 thousand euros. These transactions were recognized directly in equity in accordance with IAS 32.

As a result of these purchases and considering the shares already held in portfolio, at 31 December 2018 IMA S.p.A. holds 107,000 treasury shares, equal to 0.273% of the share capital. The Parent Company did not carry out any transactions in its own shares during 2017.

Dividends

In May 2018, a total dividend of 66,733 thousand euros was paid, equal to 1.70 euros (gross) per ordinary share in circulation (62,807 thousand euros, equal to 1.60 euros gross in May 2017).

In the current year, the Board of Directors of the Parent Company IMA S.p.A. proposes to pay out a dividend of 2.00 euros (gross) per share. As this dividend is subject to approval of the Shareholders' Meeting, it was not recognized as a liability at 31 December 2018.

FAIR VALUE RESERVE

Changes in the fair value reserve break down as follows:

in thousands of euros	
Balance at 01.01.2017	**(2,213)**
Financial assets at FVOCI	
Measurement at fair value	226
Fair value - tax effect	(54)
Cash flow hedges/Hedging instruments	
Measurement at fair value	261
Fair value - tax effect	(62)
Realization recognized in revenue from contracts with customer	(1,775)
Realization recognized in costs	(64)
Realization recognized in financial income and expense	2,513
Tax effect - realization recognized in PL	(156)
Balance at 31.12.2017	**(1,324)**
Financial assets at FVOCI	
Measurement at fair value	540
Fair value - tax effect	(131)
Cash flow hedges/Hedging instruments	
Measurement at fair value	(2,472)
Fair value - tax effect	592
Change in scope of consolidation	(25)
Realization recognized in revenue from contracts with customer	(9)
Realization recognized in costs	1
Realization recognized in financial income and expense	(86)
Tax effect - realization recognized in PL	29
Balance at 31.12.2018	**(2,885)**

At 31 December 2018 the fair value reserve essentially relates to the effective component of interest rate swaps.

OTHER RESERVES AND RETAINED EARNINGS

The changes during the year principally reflect the allocation of the net profit for the prior year and the changes in non-controlling interests discussed in Note 14. In addition, this item includes the reserve on the remeasurement of defined benefit plans, the movements of which during the period were as follows:

in thousands of euros	
Balance at 01.01.2017	**(12,583)**
Change in scope of consolidation	(36)
Actuarial value	1,429
Tax effect	(559)
Exchange rate difference and other changes	154
Balance at 31.12.2017	**(11,595)**
Change in scope of consolidation	(445)
Sale of 60% of IMA D&F	5,423
Actuarial value	833
Tax effect	(156)
Exchange rate difference and other changes	(62)
Balance at 31.12.2018	**(6,002)**

MONETARY REVALUATION FOR HYPERINFLATION

Argentine is considered a hyperinflationary economy, as commented on in the section entitled "Translation of foreign currency balances". In order to reflect the changes in the purchasing power of the Argentine peso at the balance sheet date, certain items in the balance sheet of IMA MAI S.A. have been remeasured by applying the general consumer price index of historical data. In particular, the accounting effects were recognized as follows:

- the effect of the inflationary adjustment of non-monetary assets and liabilities and equity up to 31 December 2017 is shown as a contra-entry to equity reserves for 687 thousand euros;
- the effect of remeasuring the same non-monetary items, the equity items and the income statement components recorded in 2018 was recognized under financial income in Note 25 for 141 thousand euros.

14. NON-CONTROLLING INTERESTS

The direct and indirect investments held by the Parent Company IMA S.p.A. together with non-controlling shareholders are indicated below:

		31 December 2018		31 December 2017	
	Country	% held by the Group	% held by third parties	% held by the Group	% held by third parties
Direct investment:					
Fillshape S.r.l.	Italy	100%	—	80%	20%
GIMA TT S.p.A.	Italy	60.39%(*)	39.61%(*)	60.084%	39.916%
IMA Fuda (Shanghai) Packaging Mach. Co. Ltd.	PRC	80%	20%	80%	20%
Pharmasiena Service S.r.l.	Italy	70%	30%	70%	30%
Transworld Packaging Holding S.p.A.	Italy	81%	19%	81%	19%
Indirect investment:					
Digidoc S.r.l.	Italy	80%	20%	80%	20%
Dreamer S.r.l.	Italy	90%	10%	90%	10%
Eurotekna S.r.l.	Italy	85.71%	14.29%	85.71%	14.29%
Mapster S.r.l.	Italy	100%	—	80%	20%
O.A.SYS. S.r.l.	Italy	70%	30%	70%	30%
Petroncini Impianti S.p.A.	Italy	80%	20%	49%	51%
Petroncini International Trad. (Shanghai) Co. Ltd.	PRC	80%	20%	49%	51%
Shanghai Tianyan Ph. Mach. Co. Ltd.	PRC	86.29%	13.71%	86.29%	13.71%
Teknoweb N.A. Llc	USA	75%	25%	75%	25%

(*) Percentages calculated taking into account the treasury shares repurchased by the Company.

Transworld Packaging Holding S.p.A. controls twelve companies, either directly or indirectly. For further information, see the list of equity investments provided in section H of the explanatory notes.

At 31 December 2018, non-controlling interests amount to 23,898 thousand euros (21,309 thousand euros at 31 December 2017) and relate to GIMA TT S.p.A. for 22,374 thousand euros.

The dividends paid to minority shareholders in 2018 amounted to 17,204 thousand euros and refer for 14,754 thousand euros to GIMA TT S.p.A. (10,583 thousand euros in 2017, of which 8,100 thousand euros attributable to GIMA TT S.p.A.).

On 15 November 2018, GIMA TT S.p.A., listed on the STAR segment of the MTA, started a programme for the repurchase of treasury shares (share buy-back), in compliance with the authorisation given by the Shareholders' Meeting on 27 April 2018. Since the start of the programme, GIMA TT S.p.A. has carried out transactions in its own equity instruments in 2018 by acquiring 440,500 treasury shares for a total of 3,010 thousand euros.

GIMA TT S.p.A. is the only company in the IMA Group with significant non-controlling interests. The following is a summary of the key figures of GIMA TT S.p.A. at 31 December 2018, with comparative figures at 31 December 2017:

in thousands of euros	31.12.2018	31.12.2017
Non-current assets	10,092	4,940
Current assets	101,014	111,249
Non-current liabilities	(1,785)	(592)
Current liabilities	(52,838)	(70,988)
Equity	56,483	44,609

in thousands of euros	2018	2017
Revenue and other revenue	186,451	154,219
Costs	(114,324)	(92,988)
Financial income and expense	(251)	(117)
Taxes	(20,035)	(16,997)
Profit for the year	51,841	44,117

in thousands of euros	31.12.2018	31.12.2017
Cash flows from operating activities	17,986	30,791
Cash flows from investing activities	(5,857)	4,483
Cash flows from financing activities	(40,230)	(27,110)
Net change in liquid funds	(28,101)	8,164

During the 2018, IMA S.p.A. and GIMA S.p.A. purchased 20% of Fillshape S.r.l. and Mapster S.r.l. respectively from third parties, as mentioned in the “Scope of consolidation” section. The effect of these transactions was recognized as a deduction from equity attributable to the shareholders of the parent company for an amount of 1,830 thousand euros.

15. Borrowings

The item includes financial liabilities valued at amortised cost and, in particular, amounts due to banks of 273,597 thousand euros (160,073 thousand euros at 31 December 2017), amounts due to other lenders of 8,224 thousand euros (2,598 thousand euros at 31 December 2017) and bonds of 107,989 thousand euros (113,268 thousand euros at 31 December 2017).

At 31 December 2018, the IMA Group does not have any financial liabilities measured at fair value through profit or loss (FVPL).

Payables to banks

Payables to banks break down as follows:

in thousands of euros	31.12.2018	31.12.2017
Non-current:		
- Applied research and technological innovation loans	3,885	3,621
- Other loans	172,675	56,867
	176,560	**60,488**
Current:		
- Current accounts	2,102	22,722
- Advances on domestic transactions (Italy)	4,107	2,456
- Advances on export transactions	51,898	20,540
- Advances on export transactions to be carried out	20,048	518
- Applied research and technological innovation loans	1,724	1,436
- Other loans	17,158	51,913
	97,037	**99,585**
Total	**273,597**	**160,073**

Applied research and technological innovation loans

During the period, instalments of 1,594 thousand euros were paid regularly as they fell due and new loans of 2,113 thousand euros were received.

Other loans

The principal changes in Other loans relate to the Parent Company and comprise new loans of 170,000 thousand euros and repayments of 85,650 thousand euros.

Payables to banks are analyzed by maturity as follows:

in thousands of euros	31.12.2018	31.12.2017
Due within 1 year	97,037	99,585
Due from 1 to 5 years	175,884	60,488
Due beyond 5 years	676	—
Total	**273,597**	**160,073**

Applied research and technological innovation loans and other loans are analyzed below by currency:

in thousands of euros	31.12.2018	31.12.2017
Euro	194,377	109,518
US dollar	906	4,169
Other	159	150
Total	**195,442**	**113,837**

It is worth pointing out that a loan obtained by the Parent Company in 2014 from the European Investment Bank (EIB), at 31 December 2018 is secured by a SACE guarantee of 4,200 thousand euros.

Certain loans and financings are guaranteed by compliance with certain financial covenants calculated on the basis of the following items in the consolidated financial statements:

- ratio between net financial charges and EBITDA;

- ratio of net financial indebtedness to equity;
- ratio between net debt and EBITDA;
- ratio between gross debt and EBITDA.

Non-compliance with these covenants would constitute a material event for the purposes of calling in the related loans. At 31 December 2018, all covenant requirements have been met.

Interest rates on financial payables are on average less than 5% (less than 5% in 2017).

At 31 December 2018 the Group had around 462 million euros of unutilised borrowing facilities (around 363 million euros at 31 December 2017).

The book value of advances on export transactions reflects a good estimate of their fair value. Determining the fair value of mortgages and other loans as the present value of future capital and interest flows, calculated using the market rate expressed by the zero coupon free risk curve as of the reporting date, would lead to an increase in payables by around 1.6 million euros.

Payables to other lenders

The item breaks down as follows:

in thousands of euros	31.12.2018	31.12.2017
Non-current:		
- Payables to leasing companies	6,413	794
- Other	—	661
	6,413	**1,455**
Current:		
- Payables to leasing companies	1,506	245
- Payables to factoring companies	305	54
- Other	—	844
	1,811	**1,143**
Total	**8,224**	**2,598**

In 2018, the subsidiary GIMA S.p.A. acquired the property in Zola Predosa (BO) under a finance lease. It was previously being rented and it is where the company currently has its registered office, offices and production plants. The lease has a duration of 8 years, amount financed of 8,840 thousand euros, an advance fee of 20% and a redemption price equal to 10% of the amount financed. A derivative contract to hedge against interest rate risk was stipulated for this transaction. Payables falling due beyond 5 years amount to 2,879 thousand euros.

At 31 December 2018, the amount payable to leasing companies also includes the finance lease for the factory in Krakow (Poland) and other assets used by Ilapak Sp. Zo.o for a total of 669 thousand euros (908 thousand euros at 31 December 2017).

At 31 December 2017, “other” included the recognition of financial payables attributable to Ilapak Italia S.p.A. for 850 thousand euros and Telerobot S.p.A. for 655 thousand euros.

The total minimum future payments under finance leases at the reporting date are reconciled with their present value below:

in thousands of euros	Due within 1 year	Due from 1 to 5 years	Due beyond 5 years	Total
Year 2018				
Minimum payments of finance leases	1,583	3,697	2,984	8,264
Less future financial charges	(77)	(163)	(105)	(345)
Present value of finance lease payables	**1,506**	**3,534**	**2,879**	**7,919**
Year 2017				
Minimum payments of finance leases	315	817	—	1,132
Less future financial charges	(70)	(23)	—	(93)
Present value of finance lease payables	**245**	**794**	**—**	**1,039**

Bonds

In May 2014, the Parent Company completed the placement with European institutional investors of a non-convertible bond amounting to 80 million euros, represented by two separate issues of equal amount with 5 and 7 years to maturity, redeemable in lump sums on the respective maturity dates. These bonds bear interest at a fixed rate of 3.875% and 4.375% respectively. On 19 January 2018 the Bondholders’ Meeting resolved on the first issue, postponing the maturity date to 13 May 2024 and reducing the interest due after the original maturity date from 3.875% to 1.637%.

In February 2013 IMA S.p.A. completed the US Private Placement of a non-convertible bond totalling 50 million US dollars with repayment in equal instalments over 10 years, starting from the fourth year. This bond incurs interest at a fixed rate of 6.25%. The second tranche was repaid in February 2018 for a total of 7,143 thousand US dollars.

The bonds are not guaranteed, but certain covenants must be met.

At 31 December 2018, outstanding bonds total 107,989 thousand euros, representing their nominal redemption value of 80 million euros and 35.7 million US dollars.

Bonds are made up of:

in thousands of euros	31.12.2018	31.12.2017
Non-current portion	100,308	105,537
Current portion	7,681	7,731
Total book value	**107,989**	**113,268**
Measurement at amortized cost	3,202	2,467
Total nominal redemption value	**111,191**	**115,735**

NET DEBT

The breakdown of net debt, alternative performance indicator, is as follows:

in thousands of euros	31.12.2018	31.12.2017
A. Cash and cash equivalents	(140,867)	(206,681)
B. Other cash equivalents	(5,028)	(4,786)
C. Investments in securities	(8,000)	(6,660)
D. Liquidity (A)+(B)+(C)	**(153,895)**	**(218,127)**
E. Current financial receivables	**(9,154)**	**(6,500)**
F. Current payables to banks	79,220	50,554
G. Current portion of non-current payables	27,004	57,196
H. Other current financial payables	305	709
I. Current financial debt (F)+(G)+(H)	**106,529**	**108,459**
J. Net current financial debt (D)+(E)+(I)	**(56,520)**	**(116,168)**
K. Non-current portion of non-current bank payables	176,560	60,488
L. Bonds issued	100,308	105,537
M. Other non-current financial payables	6,413	1,455
N. Non-current financial assets	(42,178)	(1,259)
O. Net non-current financial debt (K)+(L)+(M)+(N)	**241,103**	**166,221**
P. Net financial debt (J)+(O)	**184,583**	**50,053**

When preparing the table of net financial indebtedness, which is not identified as an accounting measurement by international accounting standards, we took into account the requirements of Consob Communication DEM/6064293 of 28 July 2006, even though we included financial receivables classified as non-current financial assets.

Total non-current financial assets differs from that reported in the balance sheet as it does not include equity interests in other companies. For further information on the breakdown of the items in net debt, see Notes 5 and 12.

The Group also has payables in respect of acquisitions totalling 65,880 thousand euros (36,467 thousand euros at 31 December 2017), essentially relating to the options agreed for the purchase of the minority interests in subsidiaries. The change with respect to the previous period is mainly due to payables for the acquisition of the TMC Group and Ciemme S.r.l. See Note 18 for further information.

With reference to 31 December 2017, the increase in debt, 134,530 thousand euros, is mainly linked to the acquisition of the investments in Petroncini Impianti S.p.A., TMC S.p.A. and Ciemme S.r.l. for a total of 97,665 thousand euros and to the dividends paid by the Parent Company (66,733 thousand paid in May 2018), net of the effects of the sale of 60% of IMA Dairy & Food Holding GmbH for 26,756 thousand euros.

16. EMPLOYEE DEFINED BENEFIT LIABILITIES

This item includes post-employment benefits valued actuarially by independent actuaries using the project unit credit method under IAS 19. It mainly comprises severance indemnity provisions made by the Group's Italian companies.

The changes in the provisions during the year were as follows:

migliaiadi Euro	
Balance at 01.01.2017	**57,926**
Service cost	809
Financial charges	1,163
Net actuarial losses (gains) recognized during the year	(1,424)
Change in scope of consolidation	896
Benefit paid out during the year	(2,992)
Exchange rate difference	(417)
Balance at 31.12.2017	**55,961**
Service cost	1,432
Financial charges	459
Net actuarial losses (gains) recognized during the year	(869)
Change in scope of consolidation	3,025
Sale of 60% of IMA D&F	(23,779)
Benefit paid out during the year	(1,765)
Exchange rate difference	200
Balance at 31.12.2018	**34,664**

The change in scope of consolidation includes the defined benefit plans of the newly acquired companies Petroncini Impianti S.p.A., TMC S.p.A., Asset Management Service S.r.l. and Ciemme S.r.l.

The employee defined benefit liabilities are analyzed below by geographical area:

in thousands of euros	31.12.2018	31.12.2017
Italy	22,405	20,276
Germany	6,487	28,181
Switzerland	3,722	3,544
France	256	2,509
North America	954	660
Other countries	840	791
Total	**34,664**	**55,961**

The following economic-financial assumptions were adopted in relation to the Italian companies:

	31.12.2018	31.12.2017
Annual discount rate	1.58%	1.20%
Annual inflation rate	1.50%	1.50%
Annual rate of increase of total compensation	3.00%	3.00%
Annual rate of increase of severance indemnity	2.63%	2.63%

The discounting rate applicable to Italian companies was determined with reference to the iBoxx Eurozone Corporates AA 10+ index.

The main demographic assumptions used by the actuary for the Italian companies are the following:

- life expectancies: those determined by the State General Accounting Office (RG48 split by gender);
- probability of disability: that in the INPS (National Social Security Institute) model for projections at 2010, distinguished by gender;
- pensionable age: the earliest retirement age possible under the Compulsory General Insurance scheme;
- probability of leaving work for reasons other than death: annual frequencies from 2.5% to 12%;

- probability of advance payments: an annual frequency from 3% to 5% for requests for advances of 60/70%.

The details of net assets or liabilities for benefits to employees related to the American company Ilapak Inc. pension plan are the following:

in thousands of euros	
Present value of defined benefit obligations	2,479
Fair value of plan assets	(2,107)
Net defined benefit liabilities at 31 December 2017	**372**
Present value of defined benefit obligations	2,372
Fair value of plan assets	(1,773)
Net defined benefit liabilities at 31 December 2018	**599**

The changes in in the present value of the obligation is the following:

in thousands of euros	2018	2017
Opening balance	2,479	4,550
Financial expense	93	110
Actuarial losses (gains)	98	330
Severance payments made during the year	(409)	(2,054)
Exchange rate difference	111	(457)
Present value of defined benefit obligations	**2,372**	**2,479**
Opening balance	2,107	4,432
Return on plan assets	(12)	154
Severance payments made during the year	(409)	(2,054)
Exchange rate difference	87	(425)
Fair value of plan assets	**1,773**	**2,107**

The assets servicing the plan consist 95% of US treasury bonds, corporate bonds and insurance policies. The risk profile and volatility associated with this plan are deemed to be low and the average return on the individual types of bonds in 2018 was around 6%. The liquidity that the plan is able to generate depends on fluctuations in the interest rates on the individual securities held.

The revised version of IAS 19 requires sensitivity analysis to be performed on the main actuarial assumptions used for the computational model; sensitivity analyses have therefore been performed for the Italian companies versus severance indemnities at 31 December 2018 of 22,172 thousand euros.

The results are summarized in the following table:

	Annual discount rate		Annual inflation rate		Turnover rate	
in thousands of euros	+0.50%	-0.50%	+0.25%	-0.25%	+2.00%	-2.00%
Provision for severance indemnities italian companies	21,156	23,270	22,438	21,914	21,815	22,635

The contributions expected to be made in future years in respect of the obligations of defined benefit plans of Italian companies involve the following payments:

in thousands of euros	**2018**	**2017**
Within 1 year	1,336	861
From 1 to 5 years	5,552	4,539
From 5 to 10 years	8,791	7,009
Total expected payments italian companies	**15,679**	**12,409**

17. Provisions for risks and charges

These provisions are analyzed as follows:

in thousands of euros	Balance at 31.12.2017	Net increases	Net decreases	Change in scope of consolidation	Exchange rate differences	Balance at 31.12.2018
Non-current:						
Agency termination indemnities	4,698	96	(1,481)	47	—	3,360
Other provisions	1,116	218	(112)	72	—	1,294
	5,814	**314**	**(1,593)**	**119**	**—**	**4,654**
Current:						
Product guarantee provision	27,035	2,516	(6,333)	1,632	121	24,971
Other provisions	5,550	838	(4,007)	34	8	2,423
	32,585	**3,354**	**(10,340)**	**1,666**	**129**	**27,394**
Total	**38,399**	**3,668**	**(11,933)**	**1,785**	**129**	**32,048**

The net decreases include 6,138 thousand euros relating to the sale of 60% of IMA Dairy & Food Holding GmbH.

The change in scope of consolidation refers to Petroncini Impianti S.p.A., TMC S.p.A., Asset Management Service S.r.l. and Ciemme S.r.l.

The product guarantee provision was established on the basis of estimated expenses for work to be performed under guarantee after 31 December 2018, calculated on the basis of historical costs and expected costs of machines sold and still under the initial guarantee.

Other provisions are made up of provisions for risks and charges made to cover tax liabilities or charges that might arise from contractual obligations; Group companies used experienced tax consultants to quantify the provisions.

18. Trade and other payables and contract liabilities

Trade and other payables

This item is analyzed as follows:

in thousands of euros	31.12.2018	31.12.2017
Trade payables	364,194	358,137
Social security and defined-contribution plan payables	14,202	13,232
Tax payables	12,070	12,660
Due to employees	67,205	65,966
Payables in respect of acquisitions	65,880	36,467
Deposits	2,064	3,034
Other payables	11,634	15,448
Total	**537,249**	**504,944**

Trade payables

These include trade payables to suppliers of per 264,738 thousand euros (263,857 thousand euros at 31 December 2017), payables to agents of 15,971 thousand euros (14,612 thousand euros at 31 December 2017) and trade payables to associates of 83,485 thousand euros (79,668 thousand euros at 31 December 2017).

Trade payables to associates reflects the Group's constant commitment in pursuing close collaboration with those suppliers that play a key role in production, also by considering the possibility of becoming shareholders in their companies.

Tax payables

Tax payables mainly consist of income tax withheld from employees' wages and salaries.

Due to employees

This item includes 7,701 thousand euros classified as non-current liabilities (3,785 thousand euros at 31 December 2017).

Payables in respect of acquisitions

At 31 December 2018 this item includes payables for the purchase of investments related to the acquisitions made in previous years for a total of 33,292 thousand euros and to acquisitions in 2018 for 32,588 thousand euros.

The total amount of payables for acquisitions classified under non-current liabilities comes to 62,675 thousand euros (31,247 thousand euros at 31 December 2017).

Other payables

Other payables at 31 December 2018 include 4,377 thousand euros classified as non-current liabilities.

Contract liabilities

The item breaks down as follow:

in thousands of euros	31.12.2018	31.12.2017
Advances received from customer	133,495	151,146
Contract liabilities related to contract works	40,360	14,915
Total	**173,855**	**166,061**

The high level of advances from customers for uncompleted contracts is due mainly to the large volume of orders received at the reporting date.

Contract liabilities relating to existing contract are shown net of the related assets, as illustrated below:

in thousands of euros	31.12.2018	31.12.2017
Advances received	104,124	82,543
Contract assets related to contract works	(63,764)	(67,628)
Total	**40,360**	**14,915**

Contract liabilities consist of advances received for contract work in progress at the end of the period, net of the assets relating to existing contracts.

The net increase in trade payables, contract liabilities and other payables reported in the consolidated cash flow statement differs from the change in the corresponding items in the statement of financial position mainly as a result of trade payables attributable to the sales and business combinations carried out during the period, as commented on in Notes 28 and 30.

19. Other revenue

This item breaks down as follows:

in thousands of euros	2018	2017	Change
Capital gains on disposal of non-current assets	204	1,369	(1,165)
Out-of-period income	3,092	2,428	664
Capitalization of internal construction costs	20,771	14,296	6,475
Other revenue and income	9,764	8,458	1,306
Total	**33,831**	**26,551**	**7,280**

The increase in non-current assets for internal work in 2018 refer for 12,481 thousand euros to development costs and new technologies (10,666 thousand euros in 2017) and for 8,290 thousand euros to equipment and machinery (3,630 thousand euros in 2017).

INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125 OF LAW 124, 4 AUGUST 2017

Other revenue includes 3,430 thousand euros (1,246 thousand euros in 2017) relating to public funds received.

In compliance with the requirements of Law 124 of 2017 and in the light of the interpretations available to date, it is specified that these payments consist of:

- Tax credit for Research and Development activities pursuant to art. 3 of Decree Law 145 of 23 December 2013 for 2,299 thousand euros, used in 2018 to offset tax liabilities for 1,898 thousand euros;
- Tender for the promotion of investment projects in implementation of art. 6 of the Emilia-Romagna Regional Law 14/2014 for 518 thousand euros attributable to the Parent Company, received in 2018. For further information, see the National Register of State Aid;
- Sustainable Industry Tender for Large Projects, with reference to Concession Decree 4086 of 6 July 2016 of the Ministry of Economic Development, for 613 thousand euros attributable to the Parent Company, received in 2018. With reference to the same concession, a subsidized loan of 1,987 thousand euros is outstanding at 31 December 2018. For further information, see the National Register of State Aid.

Furthermore, it should be noted that in 2018 the Group also benefited from 256 thousand euros for training plans financed by Fondirigenti and Fondimpresa, of which 235 thousand euros received during the year.

20. COST OF RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS FOR RESALE

This item breaks down as follows:

in thousands of euros	2018	2017	Change
Raw materials and semifinished goods	487,041	424,988	62,053
Consumables and ancillary materials	20,489	17,135	3,354
Marketable goods	42,643	33,695	8,948
Other purchases	5,205	5,625	(420)
Total	**555,378**	**481,443**	**73,935**

The cost of raw, ancillary and consumable materials and goods attributable to Petroncini Impianti S.p.A., the TMC Group and Ciemme S.r.l., which were not included in the scope of consolidation in 2017, amounted to 29,838 thousand euros.

21. Services, rentals and leases

This item breaks down as follows:

in thousands of euros	2018	2017	Change
Outsourced work and fitting	93,051	79,912	13,139
Maintenance and repair	10,946	9,137	1,809
Energy, telephone, gas, water and postal charges	13,691	13,173	518
Commissions	18,612	15,657	2,955
Technical, legal, tax and administrative consulting services	65,434	67,506	(2,072)
Advertising and promotions	4,722	4,735	(13)
Exhibitions	8,842	8,276	566
Travel and insurance	35,499	32,426	3,073
Transport	20,439	17,914	2,525
Bank charges	2,108	1,693	415
Rental charges	20,710	19,445	1,265
Operating lease fees	477	483	(6)
Rental fees	4,256	3,258	998
Other services	22,354	20,670	1,684
Total	**321,141**	**294,285**	**26,856**

Services, rentals and leases attributable to Petroncini Impianti S.p.A., the TMC Group and Ciemme S.r.l., which joined the scope of consolidation in 2018, amounted in total to 10,636 thousand euros.

The item also includes non-recurring charges for 2,524 thousand euros (5,372 thousand euros in 2017) as commented in Note 34.

22. Personnel costs

Personnel costs break down as follows:

in thousands of euros	2018	2017	Change
Wages and salaries	278,914	259,849	19,065
Social security contributions	65,192	59,330	5,862
Board of Directors' emoluments	12,487	10,044	2,443
Pensions - defined-benefit plans	1,383	873	510
Pensions - defined-contribution plans	14,605	13,075	1,530
Other personnel costs	22,261	19,099	3,162
Total	**394,842**	**362,270**	**32,572**

Personnel costs attributable to Mapster S.r.l. and Eurosicma S.p.A., which were included in the scope of consolidation for part of 2017 for 3,932 thousand euros, come to a total of 8,587 thousand euros. In addition, personnel costs attributable to Petroncini Impianti S.p.A., TMC Group and Ciemme S.r.l. total 14,019 thousand euros.

Personnel costs include non-recurring charges for 2,089 thousand euros as discussed in Note 34.

The higher level of costs compared with the prior year is mainly due to the labour cost of the Italian employees: taking the main elements of remuneration into account, this has increased by 0.92%, triggered by pay rises under the National Collective Bargaining Agreement for Metalworkers, pay rises under the various Company Supplementary Agreements, bonuses linked to local company bargaining, as well as the Group's bonus policy. Personnel costs have also risen significantly in line with the increased number of employees and collaborators in the year.

The IMA Group employed 5.456 people on average during 2018, as analyzed below:

	2018	2017	Change
Managers(*)	289	187	102
Office workers	3,490	3,214	276
Production workers	1,677	1,532	145
Total	**5,456**	**4,933**	**523**

(*) The 2018 figure includes managers of foreign companies who previously qualified as office workers.

At 31 December 2018, the Group had 5,623 employees, of whom 315 work for Petroncini Impianti S.p.A., the TMC Group and Ciemme S.r.l. (5,613 at 31 December 2017, of whom 498 relating to IMA Dairy & Food Holding GmbH and its subsidiaries sold in 2018).

23. Depreciation, amortization and write-downs

This item breaks down as follows:

in thousands of euros	2018	2017	Change
Depreciation of property, plant and equipment	15,006	11,785	3,221
Amortization of intangible assets	28,565	19,156	9,409
Write-downs/impairment	—	2,011	(2,011)
Bad debt provision	507	450	57
Total	**44,078**	**33,402**	**10,676**

The increase in amortisation mainly refers to development costs and intangible assets recognized as part of acquisitions made during the year.

24. Other operating costs

Other operating costs comprise:

in thousands of euros	2018	2017	Change
Capital losses on disposal of non-current assets	247	215	32
Property tax and other taxes	3,100	2,457	643
Out-of-period expenses	1,594	1,443	151
Membership fees	471	388	83
Penalties and charges on sales	2,117	292	1,825
Sundry promotional materials	360	289	71
Other operating expenses	5,277	3,885	1,392
Total	**13,166**	**8,969**	**4,197**

Other operating costs include 468 thousand euros attributable to the newly acquired companies Petroncini Impianti S.p.A., TMC Group and Ciemme S.r.l.

The item also includes non-recurring charges for 1,733 thousand euros as commented in Note 34.

25. Financial income

This item breaks down as follows:

in thousands of euros	2018	2017	Change
Fair value remeasurement of the interest held in Petroncini S.p.A.	11,625	—	11,625
Interest income from banks	367	315	52
Interest income on amounts due from customers	298	29	269
Income from corrent investments at FVOCI	98	161	(63)
Other interest and financial income	2,404	393	2,011
Income from derivative financial instruments	453	258	195
Net financial income by hiperinflation	141	—	141
Exchange rate gains	18,718	25,428	(6,710)
Total	**34,104**	**26,584**	**7,520**

As regards the income relating to the business combination in Petroncini S.p.A., reference should be made to the comments in Note 30.

26. Financial expense

This item breaks down as follows:

in thousands of euros	2018	2017	Change
Interest expense on bank payables	4,220	3,676	544
Interest expense on bonds	5,181	5,558	(377)
Interest expense on discounting	454	224	230
Interest expense on finance leases	121	59	62
Net financial expense on defined-benefit plans	544	615	(71)
Various interest expense	315	251	64
Loss on financial assets at FVPL	543	364	179
Bank guarantee expenses	605	579	26
Expense from derivative financial instruments	1,730	547	1,183
Other financial expense	5,785	396	5,389
Exchange rate losses	15,144	29,581	(14,437)
Total	**34,642**	**41,850**	**(7,208)**

The loss on financial assets at FVPL refers to the investment in Mint Street Holding S.p.A. For further details, please read Note 5.

At 31 December 2018, exchange rate gains and losses included an unrealized gain of 6,989 thousand euros and an unrealized loss of 4,435 thousand euros (11,529 thousand euros and 14,801 thousand euros, respectively, in the previous year).

27. Taxes

This item is analyzed as follows:

in thousands of euros	2018	2017	Change
Taxes for the period:			
Current taxes	58,076	53,695	4,381
Net deferred tax assets and liabilities	211	(2,526)	2,737
	58,287	**51,169**	**7,118**
Prior year taxes	2,893	1,223	1,670
Total	**61,180**	**52,392**	**8,788**

In 2017 a tax audit began on IMA S.p.A. for income tax, IRAP and VAT by the Revenue Agency, Emilia Romagna Regional Directorate, for the 2014 tax year and periods prior to 2014 for transactions linked to that year. The audit was completed in December 2017 with the preparation of Inspection Minutes. The Company has activated the assessment procedure with acceptance, on the invitation of the Tax Office, in order to reach an amicable settlement of the disputes. The assessment procedure with acceptance came to an end in July 2018 with the signing of the assessment deeds with acceptance and payment of the amounts agreed on during discussions with the Tax Office.

The following table reconciles the tax charges with the book profits multiplied by the theoretical tax rates:

in thousands of euros	2018	2017
Profit before taxes	**211,938**	**171,830**
Taxes determined on the theoretical tax rate	**52,530**	**44,695**
Effect of income not subject to tax	(3,764)	(829)
Effect of non-deductible costs	2,316	2,282
IRAP	8,565	6,941
Other changes	(1,360)	(1,920)
Prior year taxes	2,893	1,223
Total	**61,180**	**52,392**

The theoretical tax rate used to determine the income taxes is 24% of the taxable income for the year for the Italian companies and the current rate applied in each country for the foreign companies.

28. PROFIT (LOSS) FROM DISCONTINUED OPERATIONS/DISPOSAL GROUPS

On 20 December 2018, IMA S.p.A. completed the sale of 60% of the investment in IMA Dairy & Food Holding GmbH with TB Tauris Italia S.r.l.

The companies held by IMA Dairy & Food Holding GmbH involved in the sale are Hassia Verpackungsmaschinen GmbH, Hamba-Gasti GmbH, IMA Dairy & Food USA Inc., Hamba Verwaltungsgesellschaft mbH, Hamba Filltec GmbH & Co. KG, Erca S.A.S. and Erca-Formseal Iberica S.A.

The companies involved in the transaction deal with the design, construction and sale of automatic machines and integrated systems to form, fill and seal food products, particularly in the dairy sector, with production facilities in Germany and France.

The value of the transaction was 18,000 thousand euros, of which 13,000 thousand euros was paid at the closing with the rest to be paid by June 2019.

The income statement items attributable to the Dairy & Food business are as follows:

in thousands of euros	2018	2017
Revenue and other revenue	120,044	126,304
Costs	(151,537)	(146,901)
Financial income and expense	(1,375)	(649)
Result before taxes	**(32,868)**	**(21,246)**
Income taxes	1,125	1,233
Result for the period	**(31,743)**	**(20,013)**
Capital gain from discontinued operations	5,578	—
Profit (loss) from discontinued operations/disposal groups	**(26,165)**	**(20,013)**

The gain on discontinued operations includes ancillary charges of 1,580 thousand euros.

In compliance with the provisions of paragraph 33 of IFRS 5 “Non-current assets held for sale and discontinued operations”, the net financial flows attributable to the operating, investment and financing activities of discontinued operations can be presented either in the notes or in the financial statements.

The Group has chosen the option of representing total cash flows in the cash flow statement, including both the assets in operation and the assets sold.

The additional information on the cash flows of the assets sold are as follows: flows from operating activities – 13,250 thousand euros, flows from investing activities 24,061 thousand euros and flows from financing activities 679 thousand euros.

29. Earnings per share

Basic earnings per share are calculated as the ratio of Group net profit to the weighted average number of ordinary shares outstanding during the year, as follows:

	2018	2017
Net profit from continuing operations (thousands of euros)	130,197	105,603
Average number of outstanding ordinary shares (thousands of shares)	39,247	39,254
Earning per share from continuing operations (in euros)	**3.32**	**2.69**
Net profit from discontinued operations/disposal groups (thousands of euros)	(26,165)	(20,013)
Average number of outstanding ordinary shares (thousands of shares)	39,247	39,254
Earning per share from discontinued operations/disposal groups (in euros)	**(0.67)**	**(0.51)**
Profit for the year (thousands of euros)	104,032	85,590
Average number of outstanding ordinary shares (thousands of shares)	39,247	39,254
Earning per share (in euros)	**2.65**	**2.18**

For the IMA Group, basic earnings per share and diluted earnings per share are the same, given the absence of instruments that might result in dilution.

30. Business combinations

On 5 April 2018, IMA, through its subsidiary GIMA S.p.A., exercised the option to purchase a further 31% of Petroncini Impianti S.p.A., with operations based in Sant'Agostino (FE), which is market leader in machinery for the production of coffee, thereby bringing its overall interest in the company to 80%. GIMA SpA already held 49% of the investment, acquired in 2016 for 2,000 thousand euros, whose carrying amount in the consolidated financial statements at 31 December 2017 applying the equity method was equal to 1,969 thousand euros. Petroncini Impianti S.p.A. controls Petroncini International Trading (Shanghai) Co. Ltd. (100%).

The acquisition cost of this 31% was equal to 8,600 thousand euros, fully paid at the closing. As required by IFRS 3, if a business combination is carried out in several phases, the interest held previously is remeasured at the fair value on the date of acquisition of control and the difference compared with the value of the previously held investment is recognized in the income statement; the income related to the acquisition of Petroncini Impianti SpA determined in this way was 11,625 thousand euros.

The main values for assets and liabilities at the acquisition date were as follows:

in millions of euros	Amounts acquired	Fair value
Property, plant and equipment	652	652
Intangible assets	92	19,243
Inventories	1,231	1,231
Trade receivables and other assets	4,771	4,771
Cash and cash equivalents	1,226	1,226
Borrowings	(465)	(465)
Employee defined benefit liabilities	(1,218)	(1,218)
Deferred tax liabilities	(194)	(5,538)
Trade payables and other liabilities	(5,841)	(5,841)
Total	**254**	**14,061**
Value of the business combination		
Carrying amount of interest held at the acquisition date		1,969
Fair value remeasurement of the interest held at the acquisition date		11,625
Cost of acquisition made in 2018		8,600
Minority		58
Goodwill		**8,191**

The fair value of the assets and liabilities was determined on a provisional basis, recognizing in particular: (i) non-patented technologies classified as development costs for 7,706 thousand euros; (ii) trademarks and customer lists classified as software, licences, trademarks and other rights for 3,435 thousand euros and 8,010 thousand euros respectively; (iii) deferred tax liabilities for 5,344 thousand euros. It should also be noted that in the half-year report at 30 June 2018 the excess of the purchase cost compared with the fair value of the business combination was determined on a non-definitive basis and provisionally allocated to goodwill.

At 31 December 2018 the newly acquired companies, which were consolidated for 9 months, generated revenue of 9,631 thousand euros and an operating profit of 910 thousand euros, including personnel costs of 2,424 thousand euros.

On 4 May 2018, IMA completed the closing for the purchase of 82.5% of TMC S.p.A, based in Castel Guelfo (Bologna), which produces and markets automatic machines for packaging and management of Tissue and Personal Care products and related after-sales services. TMC, which was founded in 1997, has over time consolidated its international leadership in a number of market niches such as primary and secondary packaging of kitchen rolls and toilet rolls, secondary packaging of personal care products such as nappies for babies, incontinence products for adults and for hygiene products for women. IMA has signed put and call options for the other 17.5%, to be exercised by April 2023. The terms and conditions of the put & call options already give the Group access to the economic benefits related to the portion of capital optioned; the Group therefore accounts for this portion as if it had already been purchased.

The companies included in the scope of consolidation are as follows:

	Registered office	Percent of share
Tissue Machinery Company S.p.A.	Castel Guelfo Bologna (Italy)	100%(1)
Asset Management Service S.r.l.	Castel Guelfo Bologna (Italy)	100%(2)
TMC Do Brasil Industria de Maquinarios e Servicos Ltda.	Valinhos (Brazil)	100%(2)
TMC North America Inc.	Appleton (USA)	100%(2)
Valley Tissue Packaging Inc.	Kaukauna (USA)	100%(3)

(1) Held by IMA S.p.A. The percentage interest includes an option to purchase 17.5% of the quota capital.

(2) Held by TissueMachinery Company S.p.A.

(3) Held by TMC North America Inc. The percentage interest includes an option to purchase 49% of the quota capital.

The main values for assets and liabilities at the acquisition date were as follows:

in thousands of euros	Amounts acquired	Fair value
Property, plant and equipment	1,646	1,646
Intangible assets	4,392	73,051
Other non-current assets	3,341	3,341
Deferred tax assets	3,442	3,442
Inventories	17,444	17,444
Trade receivables and other receivables	15,601	15,601
Other current assets	1,064	1,064
Cash and cash equivalents	2,090	2,090
Borrowings	(22,055)	(22,055)
Employee defined benefit liabilities	(1,188)	(1,188)
Deferred tax liabilities	(10)	(19,167)
Provisions for risks and charges	(1,644)	(1,644)
Trade payables and other liabilities	(29,656)	(29,656)
Total	**(5,533)**	**43,969**
Purchase cost		80,592
Goodwill		**36,623**

The fair value of the assets and liabilities was determined on a provisional basis recognizing in particular: (i) non-patented technologies classified as development costs for 22,934 thousand euros; (ii) trademarks and customer lists classified as software, licences, trademarks and other rights for 18,715 thousand euros and 27,010 thousand euros respectively; (iii) deferred tax liabilities for 19,157 thousand euros.

The acquisition cost includes the amount paid of 58,537 thousand euros and the fair value of payables relating to the options for the purchase of the residual 17.5% of Tissue Machinery Company S.p.A. and 49% of Valley Tissue Packaging Inc. for a total of 22,055 thousand euros, discounted using the return on government securities with the same maturity. The liabilities relating to the options have been re-measured at their fair value at 31 December 2018.

At 31 December 2018 the newly acquired companies, which were consolidated for 8 months, generated revenue of 50,140 thousand euros and an operating profit of 5,028 thousand euros, including personnel costs of 10,558 thousand euros.

On 25 June 2018 IMA completed the closing for the purchase of 70% of Ciemme S.r.l., with registered office in Albavilla (Como), which manufactures and sells end-of-line automatic machines. Ciemme, founded in 1985, has over time consolidated its leadership in the “end of line” segment, thanks to its complete product range of automatic cartoning machines and systems. IMA has also signed put & call options on the other 30%, to be exercised after the approval of the financial statements at 31 December 2023. The terms and conditions of the put & call options already give the Group access to the economic benefits related to the portion of capital optioned; the Group therefore accounts for this portion as if it had already been purchased.

The main values for assets and liabilities at the acquisition date were as follows:

in thousands of euros	Amounts acquired	Fair value
Property, plant and equipment	2,623	2,623
Intangible assets	1	15,571
Inventories	2,515	2,515
Trade receivables and other assets	2,480	2,480
Cash and cash equivalents	2,950	2,950
Borrowings	(408)	(408)
Employee defined benefit liabilities	(619)	(619)
Deferred tax liabilities	—	(4,344)
Trade payables and other liabilities	(3,277)	(3,277)
Total	**6,265**	**17,491**
Purchase cost		23,622
Goodwill		**6,131**

The fair value of the assets and liabilities was determined on a provisional basis, recognizing in particular: (i) non-patented technologies classified as development costs for 4,808 thousand euros; (ii) trademarks and customer lists classified as software, licences, trademarks and other rights for 2,278 thousand euros and 8,484 thousand euros respectively; (iii) deferred tax liabilities for 4,344 thousand euros.

The cost of the acquisition includes the amount of 14,253 thousand euros (1,475 thousand euros paid at the closing with the balance due in July 2018), the adjustment of the provisional price of 2,363 thousand euros and the fair value of payables relating to the options for the purchase of the other 30% of Ciemme S.r.l. for 7,006 thousand euros, discounted using the return on government securities with the same maturity.

At 31 December 2018 the newly acquired companies, which were consolidated for 6 months, generated revenue of 4,903 thousand euros and an operating profit of 609 thousand euros, including personnel costs of 1,037 thousand euros.

The initial values for the business combinations were determined on a provisional basis as required by IFRS 3; any adjustments will be made within twelve months of the acquisition date.

The accessory charges related to the acquisition, charged to the income statement among the service, the lease payments and the lease, amount to 1,817 thousand euros.

At 31 December 2018 the amount of the purchase price that has been paid, net of the cash acquired, amounts to 75,124 thousand euros.

31. Guarantees granted

At 31 December 2018, the Group has given sureties and other bank guarantees to customers totalling 30,067 thousand euros for the proper operation of machinery, bid bonds and advances not yet received, sureties to guarantee rental contracts for 8,490 thousand euros, sureties given by the Parent Company to third parties in connection with the sale of CMH S.r.l. for 3,500 thousand euros and sureties in favour of others for 2,551 thousand euros.

in thousands of euros	31.12.2018	31.12.2017
Subsidiaries:		
Benhil GmbH	1,600	—
CO.MA.DI.S. S.p.A.	89	89
Corazza S.p.A.	19,525	18,325
Delta Systems & Automation Inc.	1,747	—
Eurosicma S.p.A.	1,325	—
Eurotekna S.r.l.	100	—
Fillshape S.r.l.	8,650	6,715
GIMA S.p.A.	47,900	42,100
GIMA TT S.p.A.	72,973	37,824
G.S. Coating Technologies S.r.l.	1,000	1,000
Ilapak Inc.	6,550	6,254
Ilapak International SA	16,887	14,854
Ilapak Italia S.p.A.	6,700	5,700
Ilapak Ltd.	—	2,254
Ilapak Sp. Z o.o.	5,580	5,746
Ilapak Verpackungsmaschinen GmbH	2,300	2,300
IMA Automation Malaysia Sdn. Bhd.	3,150	3,150
IMA Automation USA Inc.	8,734	8,073
IMA Est GmbH	800	800
IMA Life (Beijing) Pharmaceutical Systems Co. Ltd.	4,190	1,373
IMA Life Japan KK	795	741
IMA Life North America Inc.	6,379	7,375
IMA Medtech Switzerland SA	18,014	14,783
IMA Pacific Co. Ltd.	5,744	5,551
IMA-PG India Pvt. Ltd.	2,000	2,000
IMA Swiftpack Ltd.	—	3,438
Mapster S.r.l.	3,500	1,500
Petroncini Impianti S.p.A.	3,250	—
Pharmasiena Service S.r.l.	2,500	2,500
Revisioni Industriali S.r.l.	2,525	2,525
Società del Sole S.r.l.	—	1,000
Shanghai Tianyan Pharmaceutical Machinery Co. Ltd.	698	—
Telerobot S.p.A.	2,332	937
Teknoweb Converting S.r.l.	4,000	3,000
Tissue Machinery Company S.p.A.	13,826	n.a.
Valley Tissue Packaging Inc.	1,747	n.a.
	277,110	**201,907**
Associates:		
Doo Officina-Game Vrsac	959	959
Erca S.A.S.	4,858	5,898
Hamba-Gasti GmbH	773	5,290
Hassia Verpackungsmaschinen GmbH	—	1,157
IMA Dairy & Food Holding GmbH	6,000	50,600
	12,590	**63,904**
Joint venture:		
CMRE S.r.l.	2,221	2,221
	2,221	**2,221**
Total	**291,921**	**268,032**

The Parent Company has also given sureties and other guarantees (binding letters of patronage) to third parties on behalf of subsidiaries and associates, with respect to lines or credit or financing extended by banks and the payment of rental fees, as shown below:

Guarantees totalling 21,000 thousand euros have also been given to leading banks in relation to the lines of credit shares by the Group's Italian subsidiaries.

Ilapak International SA and Packaging Manufacturing Industry S.r.l. have provided guarantees to third parties in the interest of certain companies of the Ilapak Group for 2,445 thousand euros and of Logimatic S.r.l. for 560 thousand euros.

Lastly, note that sureties were issued against advances received from customers for a total of 117,034 thousand euros (127,923 thousand euros at 31 December 2017), of which 41,163 thousand euros mainly reflect the use of credit lines guaranteed by commitments on the part of the Parent Company, as shown in the above table.

32. Commitments

It should be noted that at 31 December 2018 there are commitments for the purchase of property, plant and equipment and intangible assets of 3,595 thousand euros relating principally to plant and machinery and software.

The Group has outstanding commitments of 4,811 thousand euros (3,227 thousand euros at 31 December 2017) for minimum future lease payments under irrevocable operating leases relating primarily to cars, (expiring as to 2,079 thousand euros within one year, 2,732 thousand euros between one and five years) and commitments under rental contracts of 132,641 thousand euros (144,787 thousand euros at 31 December 2017), of which 20,245 thousand euros fall due within one year, 67,240 thousand euros between one and five years and 45,156 thousand euros over five years.

Other commitments in favour of third parties, 4,264 thousand euros, mainly consist of the Parent Company's agreement to buy further units of the mutual funds.

33. Related-party transactions

In compliance with current Consob regulations on Related-Party Transactions, from 2010 IMA S.p.A. adopted the procedure to be followed by IMA and its subsidiaries when carrying out transactions with parties related to IMA; this procedure was updated on 15 February 2019. For further information please read the Report on operations.

The Group holding company is IMA Industria Macchine Automatiche S.p.A., 56.789% owned by SO.FI.MA. S.p.A. at 31 December 2018 (57% at 31 December 2017), which is in turn a subsidiary of Lopam Fin S.p.A.

The following companies form part of the domestic tax group: IMA S.p.A., CO.MA.DI.S. S.p.A., Corazza S.p.A., Packaging Manufacturing Industry S.r.l. and Revisioni Industriali S.r.l. as consolidated companies and SO.FI.MA. S.p.A. as the consolidating company.

As described earlier, intra-group transactions are a consequence of the organizational structure of the Group. Such transactions are carried out as part of ordinary operations on an arm's-length basis.

In addition to intra-group transactions, the Group also conducts operations with other related parties, mainly parties controlling the Parent Company, or parties responsible for the administration and management of IMA S.p.A. or entities controlled by such parties.

The Board must give advance approval in its meetings for all transactions with related parties, including inter-company transactions, except for transactions carried out in the ordinary course of business on arm's-length terms.

These transactions are mainly commercial and real estate operations (leased premises used by the Parent Company or the Group), as well as participation in the consolidated tax mechanism mentioned above.

Transactions with related parties are made at terms and conditions that are equivalent to normal market conditions.

The trade receivables and payables outstanding at year-end are not insured and do not bear interest.

The following table details the main transactions carried out with related parties:

in thousands of euros	Receivables at 31.12.2018	Receivables at 31.12.2017	Payables at 31.12.2018	Payables at 31.12.2017
Parent companies:				
Lopam Fin S.p.A.	3	3	—	—
SO.FI.M.A. S.p.A.	3,680	3,643	—	2,365
	3,683	**3,646**	**—**	**2,365**
Associates and joint venture:				
Amherst Stainless Fabrication LLC	1,127	545	526	180
Atopbi S.p.A.	16,322	15,761	—	—
B.C. S.r.l.	2,992	2,706	833	1,151
Bacciottini F.lli S.r.l.	1,237	757	5,703	5,881
Bolognesi S.r.l.	1,145	1,078	5,088	4,310
Brio Pharma Technologies Pvt. Ltd.	73	10	63	302
CMRE S.r.l.	8,502	6,238	—	—
Doo Officina-GAME East Vrsac	1,429	880	122	56
Erca S.A.S.	1,337	n.a.	91	n.a.
Hamba-Gasti GmbH	786	n.a.	1	n.a.
Hassia Verpackungsmaschinen GmbH	1,276	n.a.	71	n.a.
I.E.M.A. S.r.l.	2,932	3,221	19,950	19,136
IMA Dairy & Food Holding GmbH	52,821	n.a.	1,313	n.a.
IMA Dairy & Food USA Inc.	266	n.a.	22	n.a.
Inkbit LLC	2,110	2,274	—	—
LA.CO S.r.l.	802	869	2,873	3,413
Logimatic S.r.l.	8,701	6,972	20,908	24,994
Masterpiece S.r.l.	30	19	744	717
Meccanica Sarti S.r.l.	1,214	1,214	797	600
Me.Mo. S.r.l.	1,536	1,000	123	—
MORC 2 S.r.l.	1,720	1,653	890	987
O.M.S. Officina Meccanica di Sonico S.r.l.	1,041	n.a.	1,150	n.a.
Petroncini Impianti S.p.A.	n.a.	1,969	n.a.	—
Powertransmission.it S.r.l.	205	174	601	543
RO.SI S.r.l.	347	n.a.	2,282	n.a.
Scriba Nanotecnologie S.r.l.	175	171	—	62
SIL.MAC. S.r.l.	2,165	2,018	10,449	8,831
S.I.Me. S.r.l.	298	419	561	521
STA.MA. S.r.l.	134	119	1,615	1,587
Talea S.r.l.	7,110	4,693	6,671	6,389
Other associates	462	195	38	8
	120,295	**54,955**	**83,485**	**79,668**
Other related parties:				
Atop S.p.A.	3,983	521	—	—
Costal S.r.l.	—	—	1,559	1,607
Datalogic Automation S.r.l.	—	—	397	179
EPSOL S.r.l.	1,302	593	5,149	4,656
Hotminds S.r.l.	154	n.a.	872	n.a.
Ipercubo S.r.l.	94	93	—	—
LPM.GROUP S.r.l.	77	93	5,352	4,891
Poggi & Associati	288	—	97	223
Rotor S.p.A.	n.a.	370	n.a.	—
Schiavina S.r.l.	249	280	—	—
Timage S.r.l.	—	n.a.	1,262	n.a.
Verniciatura Ozzanese S.r.l.	1	116	203	218
Other related parties	93	181	1,347	195
	6,241	**2,247**	**16,238**	**11,969**
Total	**130,219**	**60,848**	**99,723**	**94,002**

The following table details the main transactions carried out with related parties:

in thousands of euros	Revenues 2018	Revenues 2017	Costs 2018	Costs 2017
Associates and joint venture:				
Amherst Stainless Fabrication LLC	31	—	4,157	3,393
Atopbi S.p.A.	561	—	—	416
B.C. S.r.l.	286	321	6,114	5,170
Bacciottini F.lli S.r.l.	233	294	7,416	6,893
Bolognesi S.r.l.	243	182	5,875	5,056
Brio Pharma Technologies Pvt. Ltd.	—	—	336	1,203
CMRE S.r.l.	—	—	66	65
Doo Officina-Game East Vrsac	109	—	950	750
Erca S.A.S	2,104	n.a.	285	n.a.
Hamba-Gasti GmbH	1,520	n.a.	(6)	n.a.
Hassia Verpackungsmaschinen GmbH	2,728	n.a.	159	n.a.
I.E.M.A. S.r.l.	2,430	2,979	22,863	20,444
IMA Dairy & Food Holding GmbH	1,175	n.a.	1,487	n.a.
IMA Dairy & Food USA Inc.	578	n.a.	6	n.a.
LA.CO S.r.l.	199	178	3,610	3,672
Logimatic S.r.l.	6,127	4,846	27,912	30,036
Masterpiece S.r.l.	35	9	889	821
Meccanica Sarti S.r.l.	—	1	1,080	878
MORC 2 S.r.l.	231	255	2,162	2,094
O.M.S. Officina Meccaninca di Sonico	4	n.a.	1,312	n.a.
LPM.GROUP S.r.l.	n.a.	574	n.a.	4,679
Powertransmission.it S.r.l.	32	28	1,084	1,043
RO.SI S.r.l.	—	n.a.	847	n.a.
SIL.MAC. S.r.l.	1,672	1,607	12,846	10,502
S.I.Me. S.r.l.	6	48	1,283	1,369
STA.MA. S.r.l.	165	145	1,987	1,861
Talea S.r.l.	855	1,596	4,773	5,131
Other associates and joint venture	46	20	906	380
	21,370	**13,083**	**110,399**	**105,856**
Other related parties:				
Atop S.p.A.	5,680	561	—	—
Costal S.r.l.	1	—	3,121	2,541
Datalogic Automation S.r.l.	—	—	747	559
EPSOL S.r.l.	1,468	857	5,941	4,874
Hotminds S.r.l.	—	n.a.	1,299	n.a.
Ipercubo S.r.l.	1	76	428	186
Lopam S.r.l.	—	—	524	520
LPM.GROUP S.r.l.	169	n.a.	6,217	n.a.
Morosina S.p.A.	—	—	1,161	1,143
Nemo Investimenti S.r.l.	2	—	2,146	2,076
Stator S.p.A.	—	118	—	—
Timge S.r.l.	—	n.a.	2,261	n.a.
Verniciatura Ozzanese S.r.l.	2	3	530	529
Other related parties	52	26	2,452	378
	7,375	**1,641**	**26,827**	**12,806**
Total	**28,745**	**14,724**	**137,226**	**118,662**

These transactions relate primarily to the Group's Italian companies.

Transactions with associates are largely of a commercial nature. See Note 4 for further information.

Revenue from Atop S.p.A. and Epsol S.r.l. relate principally to the sale of commercial parts used in production.

Costs versus EPSOL S.r.l. relate to the design and production of plant for automated machines; costs versus LPM. GROUP S,r,l, relate principally to protection for machines and design parts; the costs versus Timage S.r.l. refer to technical documentation, while rations with Lopam S.r.l., Nemo Investimenti S.r.l. and Ipercubo S.r.l. essentially relate to the rental of real estate.

The table below provides a summary of the balance sheet including transactions with related parties and the percentage impact:

in thousands of euros	Total at 31.12.2018	Of which related parties	% impact	Total at 31.12.2017	Of which related parties	% impact
Balance sheet:						
Tangible and intangible assets	565,870	7,049	1.2%	457,254	4,496	1.0%
Investments and financial assets	100,414	91,771	91.4%	45,294	36,928	81.5%
Other non-current assets	53,377	100	0.2%	71,312	93	0.1%
NON-CURRENT ASSETS	719,661	98,920	13.7%	573,860	41,517	7.2%
Trade and other receivables	447,207	21,343	4.8%	389,332	11,988	3.1%
Financial assets	22,182	6,276	28.3%	17,946	3,700	20.6%
Cash and cash equivalents	140,867	—	—	206,681	—	—
Income tax receivables	9,810	3,680	37.5%	9,396	3,643	38.8%
Other current assets	320,106	—	—	309,866	—	—
CURRENT ASSETS	940,172	31,299	3.3%	933,221	19,331	2.1%
TOTAL ASSETS	**1,659,833**	**130,219**	**7.8%**	**1,507,081**	**60,848**	**4.0%**
SHAREHOLDERS' EQUITY	420,934			390,524		
Borrowings	283,281	—	—	167,480	—	—
Other non-current liabilities	176,631	—	—	160,512	—	—
NON-CURRENT LIABILITIES	459,912	—	—	327,992	—	—
Borrowings	106,529	—	—	108,459	—	—
Trade and other payables	636,351	99,723	15.7%	635,739	91,637	14.4%
Income tax liabilities	7,368	—	—	11,574	2,365	20.4%
Other current liabilities	28,739	—	—	32,793	—	—
CURRENT LIABILITIES	778,987	99,723	12.8%	788,565	94,002	11.9%
TOTAL LIABILITIES AND EQUITY	**1,659,833**	**99,723**	**6.0%**	**1,507,081**	**94,002**	**6.2%**

The increase in trade payables to associates reflects the Group's constant commitment in pursuing close collaboration with those suppliers that play a key role in production, also by considering the possibility of becoming shareholders in their companies.

The table below provides a summary of the income statement including transactions with related parties and the percentage impact:

in thousands of euros	2018	Of which related parties	% impact	2017	Of which related parties	% impact
Income statement:						
Revenue	1,500,371	22,499	1.5%	1,320,198	10,658	0.8%
Other income	33,831	2,814	8.3%	26,551	1,681	6.3%
Cost of raw materials and goods	(555,378)	(79,997)	14.4%	(481,443)	(72,632)	15.1%
Cost of services and leases	(321,141)	(55,047)	17.1%	(294,285)	(44,578)	15.1%
Other operating costs	(447,626)	(1,505)	0.3%	(385,206)	(379)	0.1%
OPERATING PROFIT	**210,057**			**185,815**		
Net financial income	34,104	352	1.0%	26,584	31	0.1%
Net financial expense	(34,642)	(15)	—	(41,850)	—	—
FINANCIAL INCOME AND EXPENSE	**(538)**			**(15,266)**		
PROFIT (LOSS) FROM INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD	**2,419**	**2,419**	100.0%	**1,281**	**1,281**	100.0%
Taxes	(61,180)	—	—	(52,392)	—	—
PROFIT FROM CONTINUING OPERATIONS	**150,758**			**119,438**		
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	**(26,165)**			**(20,013)**		
PROFIT FOR THE YEAR	**124,593**			**99,425**		

The table does not include the remuneration paid to directors, statutory auditors and managers with strategic responsibilities, which are detailed in the following paragraph.

Note that during 2018 there were no “more relevant transactions”, as defined in the Consob regulation, no individual related-party transactions that could have had a significant influence over the companies’ balance sheet or results and no changes or developments in related-party transactions explained in the last annual report that could have had a significant influence over the companies’ balance sheet or results.

Remuneration of Directors, Statutory Auditors and Managers with Strategic Responsibilities

We provide information concerning the remuneration paid. for any reason and in any form, to directors, statutory auditors of the Parent Company for carrying out their duties in other companies included in the consolidation:

in thousands of euros	2018	2017
Directors	9,188	8,744
Statutory Auditors	112	95
Total	**9,300**	**8,839**

The amount due to Directors includes fees for professional services as detailed in the Remuneration Report.

The following table reports the fees paid, for any reason and in any form, by the Company and by other Group companies to managers with strategic responsibilities:

in thousands of euros	2018	2017
Short-term benefits	3,158	2,805
Long-term benefits	1,181	1,069
Post-employment benefits	151	280
Fees for positions	6,699	6,609
Total	**11,189**	**10,763**

The managers with strategic responsibilities include three members of IMA's Board of Directors.

The details of remuneration paid to directors, statutory auditors and managers with strategic responsibilities is shown in the Remuneration Report.

34. Significant non-recurring transactions and events

Consob Communication DEM/6064293 of 28 July 2006 requires disclosures on significant events and transactions that are not recurring; in other words, on transactions or events that do not occur in the ordinary course of business.

During 2018, non-recurring charges classified under Personnel costs for 2,089 thousand euros, Services, rentals and leases for 2,524 thousand euros and Other operating costs for 1,733 thousand euros mainly refer to reorganisation of the Ilapak business and ancillary charges on acquisitions made during the period.

In 2017, non-recurring charges principally related to ancillary charges on the acquisitions made during the year and on the admission of GIMA TT S.p.A.'s shares to trading on the MTA; these charges are classified under Services, rentals and leases for 5,372 thousand euros.

35. atypical and/or unusual transactions

No significant atypical and/or unusual transactions or positions are reported.

36. Significant events after the close of the period

The following main events have taken place subsequent to year end:

- absorption of Fillshape S.r.l., a wholly-owned subsidiary, by IMA S.p.A., which took effect from 1 January 2019.;
- On 27 February 2019, IMA signed an agreement to buy 70% of Spreafico Automation S.r.l., based in Calolziocorte (Lecco), an important player in the design, production and marketing of automatic machines for filling and preparing capsules for coffee and other soluble products. The financial outlay at the closing (scheduled for April 2019) is 9.6 million euros for the enterprise value. IMA has also been granted a purchase option, exercisable in April 2028, for the other 30% of the company;
- on 27 February 2019, IMA signed an agreement to buy 61.45% of Tecmar S.A., based in Mar del Plata (Argentina), which operates in the Latin American market in the design, production and marketing of automatic packaging machines in the coffee and food sectors. The financial outlay at the closing (scheduled for April 2019) is 1.3 million euros for the enterprise value. IMA has also been granted a purchase option, exercisable in April 2024, for the other 38.55% of the company.

H) EQUITY INVESTMENTS INCLUDED IN THE SCOPE OF CONSOLIDATION AND METHOD USED

Companies consolidated line-by-line	Registered office		Share capital	Currency	Direct investment	Indirect investment
Industrial and service companies:						
- I.M.A. Industria Macchine Automatiche S.p.A.	Ozzano dell'Emilia	Bologna - Italy	20,415,200	EUR	Parent company	
- Asset Management Service S.r.l.	Castel Guelfo	Bologna - Italy	500,000	EUR	—	100%(1)
- Ciemme S.r.l.	Albavilla	Como - Italy	100,000	EUR	100%(2)	—
- CO.MA.DI.S. S.p.A.	Senago	Milan - Italy	1,540,000	EUR	100%	—
- Corazza S.p.A.	Bologna	Bologna - Italy	15,675,000	EUR	100%	—
- Eurosicma-Costruzioni Macchine Automatiche S.p.A.	Milan	Milan - Italy	700,000	EUR	100%(3)	—
- Eurotekna S.r.l.	Milan	Milan - Italy	32,243	EUR	—	85.71%(4)
- Fillshape S.r.l.	Zola Predosa	Bologna - Italy	125,000	EUR	100%	—
- GIMA S.p.A.	Zola Predosa	Bologna - Italy	1,000,000	EUR	100%	—
- GIMA TT S.p.A.	Ozzano dell'Emilia	Bologna - Italy	440,000	EUR	60.084%	—
- G.S. Coating Technologies S.r.l.	Castel San Pietro T.	Bologna - Italy	100,000	EUR	100%	—
- Ilapak Italia S.p.A.	Foiano della Chiana	Arezzo - Italy	4,074,000	EUR	—	81%(5)
- Mapster S.r.l.	Collecchio	Parma - Italy	10,000	EUR	—	100%(6)
- O.A.SYS. Open Automation System S.r.l.	Segrate	Milan - Italy	20,800	EUR	—	70%(4)
- Petroncini Impianti S.p.A.	Modena	Modena - Italy	120,000	EUR	—	80%(6)
- Pharmasiena Service S.r.l.	Siena	Siena - Italy	100,000	EUR	70%	—
- Revisioni Industriali S.r.l.	Ozzano dell'Emilia	Bologna - Italy	100,000	EUR	—	100%(7)
- Teknoweb Converting S.r.l.	Palazzo Pignano	Cremona - Italy	1,000,000	EUR	100%(8)	—
- Telerobot S.p.A.	Alessandria	Alessandria-Italy	50,000	EUR	—	100%(6)
- Tissue Machinery Company S.p.A.	Castel Guelfo	Bologna - Italy	8,000,000	EUR	100%(9)	—
- Benhil GmbH	Neuss	Germany	5,500,000	EUR	100%	—
- Delta Systems & Automation Inc.	Lowell	USA	1,000	USD	—	81%(10)
- Hassia Packaging Pvt. Ltd.	Taluka Shirur Pune	India	42,000,000	INR	100%	—
- Ilapak International SA	Collina d'Oro Lugano	Switzerland	4,000,000	CHF	—	81%(11)
- Ilapak (Beijing) Packaging Machinery Co. Ltd.	Beijing	PRC	3,000,000	USD	—	81%(12)
- IMA Automation Malaysia Sdn. Bhd.	Penang	Malaysia	3,000,000	MYR	—	100%(6)
- IMA Automation USA Inc.	Loves Park	USA	10,610,000	USD	—	100%(13)
- IMA Life (Beijing) Pharmaceutical Systems Co. Ltd.	Beijing	PRC	400,000	USD	100%	—
- IMA Life North America Inc.	Tonawanda	USA	100	USD	—	100%(13)
- IMA Life The Netherlands B.V.	Dongen	The Netherlands	22,382,654(*)	EUR	100%	—
- IMA MAI S.A.	Mar del Plata	Argentina	1,176,616	ARS	100%(14)	—
- IMA Medtech Switzerland SA	La Chaux de Fonds	Switzerland	13,250,000	CHF	—	100%(6)
- IMA North America Inc.	Leominster	USA	8,052,500	USD	—	100%(13)
- IMA-PG India Pvt. Ltd.	Mumbai	India	17,852,100	INR	100%	—
- IMA Swiftpack Ltd.	Alcester	UK	1,403,895	GBP	100%	—
- Shanghai Tianyan Pharmaceutical Mach. Co. Ltd.	Shanghai	PRC	5,250,000	RMB	—	86.29%(15)
- Tianjin IMA Machinery Co. Ltd.	Tianjin	PRC	200,000	USD	100%	—
- TMC Do Brasil Industria de Maquinarios e Servicos Ltda.	Valinhos	Brazil	678,405	BRL	—	100%(1)
- TMC North America Inc.	Appleton	USA	100,000	USD	—	100%(1)
- Valley Tissue Packaging Inc.	Kaukauna	USA	3,645	USD	—	100%(16)

(*) The nominal share capital of IMA Life The Netherlands B.V. amounts to Eur 45,400,000

Companies consolidated line-by-line (continued)	Registered office		Share capital	Currency	Direct investment	Indirect investment
Commercial companies:						
- Ilapak do Brasil Maquinas de embalagem Ltda.	Sao Paulo	Brazil	8,219,229	BRL	—	81%(11)
- Ilapak France SA	Lognes Paris	France	105,130	EUR	—	81%(5)
- Ilapak Inc.	Newtown	USA	12,500	USD	—	81%(5)
- Ilapak Israel Ltd.	Caesarea	Israel	5,310,505	ILS	—	81%(5)
- Ilapak Ltd.	Uxbridge London	UK	795,536	GBP	—	81%(5)
- Ilapak SNG OOO	Moscow	Russia	1,785,700	RUB	—	81%(5)
- Ilapak Sp. Z o.o.	Krakow	Poland	3,740,400	PLN	—	81%(5)
- Ilapak Verpackungsmaschinen GmbH	Haan Duesseldorf	Germany	102,500	EUR	—	81%(5)
- IMA Est GmbH	Vienna	Austria	280,000	EUR	100%	—
- IMA France E.u.r.l.	Rueil Malmaison	France	45,735	EUR	100%	—
- IMA Fuda (Shanghai) Packaging Machinery Co. Ltd.	Shanghai	PRC	6,000,000	RMB	80%	—
- IMA Germany GmbH	Cologne	Germany	90,000	EUR	100%	—
- IMA Iberica Processing and Packaging S.L.	Barcelona	Spain	590,000	EUR	100%	—
- IMA Industries GmbH (in liquidation)	Frankfurt am Main	Germany	100,000	EUR	100%	—
- IMA Life Japan KK	Tokyo	Japan	40,000,000	YEN	—	100%(17)
- IMA Pacific Co. Ltd.	Bangkok	Thailand	132,720,000	THB	99.99%	—
- IMA Packaging & Processing Equipment (Beijing) Co. Ltd.	Beijing	PRC	2,350,000	USD	100%	—
- IMA UK Ltd.	Alcester	UK	1	GBP	—	100%(18)
- Imautomatiche Do Brasil Ltda.	Sao Paulo	Brazil	6,651,550	BRL	99.98%	—
- OOO IMA Industries	Moscow	Russia	12,000,000	RUB	—	100%(7)
- Petroncini International Trading (Shanghai) Co. Ltd.	Shanghai	PRC	300,000	RMB	—	80%(19)
- Teknoweb N.A. Llc	Loganville Atlanta	USA	56,000	USD	—	75%(20)
Financial companies:						
- Packaging Systems Holdings Inc.	Wilmington	USA	1,000	USD	100%	—
- Tekno NA Inc.	Atlanta	USA	50,000	USD	—	100%(21)
- Transworld Packaging Holding S.p.A.	Ozzano dell’Emilia	Bologna - Italy	64,833	EUR	81%	—
Other companies:						
- Digidoc S.r.l.	Ozzano dell’Emilia	Bologna - Italy	10,000	EUR	—	80%(22)
- Dreamer S.r.l.	Bologna	Bologna - Italy	100,000	EUR	—	90%(6)
- Packaging Manufacturing Industry S.r.l.	Castenaso	Bologna - Italy	110,000	EUR	100%	—
- Società del Sole S.r.l.	Ozzano dell’Emilia	Bologna - Italy	10,000	EUR	100%	—

Note:

(1) Held by Tissue Machinery Company S.p.A.
(2) The percentage interest held in Ciemme S.r.l. includes an option to purchase 30% of the quota capital
(3) The percentage interest held in Eurosicma - Costruzioni Macchine Automatiche S.p.A. includes an option to purchase 40% of the quota capital
(4) Held by Eurosicma - Costruzioni Macchine Automatiche S.p.A.
(5) Held by Ilapak International SA at 100% except Ilapak France SA held at 99.99%
(6) Held by GIMA S.p.A.
(7) Held by Corazza S.p.A.
(8) The percentage interest held in Teknoweb Converting S.r.l. includes an option to purchase 40% of the quota capital
(9) The percentage interest held in Tissue Machinery Company S.p.A. includes an option to purchase 17.5% of the quota capital
(10) Held by Ilapak Inc. at 100%
(11) Held by Transworld Packaging Holding S.p.A. at 100%
(12) Held by Ilapak Italia S.p.A. at 100%
(13) Held by Packaging Systems Holding Inc.
(14) The percentage interest held in IMA MAI S.A. includes an option to purchase 30% of the quota capital
(15) Held by IMA Life (Beijing) Ph. Systems Co. Ltd.

(16) Held by TMC North America Inc. The percentage interest includes an option to purchase 49% of the quota capital
(17) Held by IMA Life The Netherlands B.V.
(18) Held by IMA Swiftpack Ltd.
(19) Held by Petroncini Impianti S.p.A. at 100%
(20) Held by Tekno NA Inc. at 75%
(21) Held by Teknoweb Converting S.r.l. at 100%
(22) Held by Packaging Manufactoring Industry S.r.l.

Investment accounted for using the equity method	Registered office		Share capital	Currency	Direct investment
- Amherst Stainless Fabrication LLC	Amherst NY	USA	1,100,000	USD	20%(1)
- Atopbi S.p.A.	Milan	Milan - Italy	249,400	EUR	25%
- B.C. S.r.l.	Imola	Bologna - Italy	36,400	EUR	30%
- Bacciottini F.lli S.r.l.	Oste Montemurlo	Prato - Italy	60,000	EUR	30%(2)
- BLQ S.r.l.	Castel Guelfo	Bologna - Italy	30,000	EUR	30%(2)
- Bolognesi S.r.l.	Dozza	Bologna - Italy	10,920	EUR	30%(2)
- Brio Pharma Technologies Pvt. Ltd.	Mumbai	India	1,000,000	INR	30%
- CAIMA S.r.l.	Monghidoro	Bologna - Italy	10,000	EUR	20%(2)
- Ciemme Engineering S.r.l.	Albavilla	Como - Italy	100,000	EUR	40%(3)
- CMRE S.r.l.	Bologna	Bologna - Italy	50,000	EUR	50%
- Consorzio L.I.A.M.	Vignola	Modena - Italy	25.000 (4)	EUR	25%
- Doo Officina-Game East Vrsac	Vrsac	Serbia	130,474,863	RSD	49%(2)
- FID S.r.l. Impresa Sociale	Bologna	Bologna - Italy	20,000	EUR	30%
- I.E.M.A. S.r.l.	S.Giorgio di Piano	Bologna - Italy	100,000	EUR	30%(2)
- IMA Dairy & Food Holding GmbH	Stutensee	Germany	25,000	EUR	40%
- Inkbit LLC	Delaware	USA	2,407	USD	20%
- LA.CO S.r.l.	Ozzano dell'Emilia	Bologna - Italy	30,000	EUR	30%(2)
- Logimatic S.r.l.	Ozzano dell'Emilia	Bologna - Italy	120,000	EUR	29.17%(2)
- Masterpiece S.r.l.	Ozzano dell'Emilia	Bologna - Italy	10,000	EUR	30%(2)
- Meccanica Sarti S.r.l.	Bologna	Bologna - Italy	102,000	EUR	30%(2)
- Me.Mo. S.r.l.	Gaggio Montano	Bologna - Italy	10,000	EUR	20%(2)
- MORC 2 S.r.l.	Faenza	Ravenna - Italy	20,800	EUR	20%(2)
- O.M.S. S.r.l. Officina Meccanica Sonico S.r.l.	Sonico	Brescia - Italy	31,200	EUR	40%(2)
- Powertransmission.it S.r.l.	Castenaso	Bologna - Italy	50,000	EUR	20%(2)
- RO.SI S.r.l.	Bentivoglio	Bologna - Italy	10,000	EUR	20.8%(2)
- Scriba Nanotecnologie S.r.l.	Bologna	Bologna - Italy	25,556	EUR	24.9%
- SIL.MAC. S.r.l.	Gaggio Montano	Bologna - Italy	90,000	EUR	30%(2)
- S.I.Me. S.r.l.	Granarolo dell'Emilia	Bologna - Italy	100,000	EUR	49%(2)
- STA.MA. S.r.l.	Ozzano dell'Emilia	Bologna - Italy	10,400	EUR	30%(2)
- Talea S.r.l.	Castel Guelfo	Bologna - Italy	25,000	EUR	20%(2)
- Sirio S.p.A. Associazione in partecipazione	Milan	Milan - Italy			

Note:

(1) Held by IMA Life North America Inc.
(2) Held by Packaging Manufacturing Industry S.r.l.
(3) Held by Ciemme S.r.l.
(4) Shares in the consortium fund

I) DISCLOSURE REQUIRED UNDER ARTICLE 149-DUODECIES OF THE CONSOB ISSUERS' REGULATION

The following table shows the fees in 2018 for auditing services and services other than auditing, relating to auditing of the non-financial disclosure required by Directive 2014/95/EU, additional activities carried out in this regard for verification of the opening balances of TMC S.p.A., AMS S.p.A., Ciemme S.r.l. and Petroncini S.p.A. and due diligence services, rendered by the same audit firm:

in thousands of euros	Service rendered by	To	Fees
Audit	EY S.p.A.	Parent company IMA S.p.A.	271
	EY S.p.A.	Subsidiary companies	699
	EY network	Subsidiary companies	313
Other servicesrendered in connection with the review	EY S.p.A.	Parent company IMA S.p.A.	47
	EY S.p.A.	Subsidiary companies	63
Other services	EY network	Subsidiary companies	130
Total			**1,523**

Certification of the consolidated financial statements pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999, as amended

I.M.A. INDUSTRIA MACCHINE AUTOMATICHE S.P.A. AND SUBSIDIARIES

(The consolidated financial statements have been translated from the original Italian into English solely for the convenience of international readers)

Certification of the consolidated financial statements pursuant to Art. 81-ter of Consob Regulation no. 11971 of 14 May 1999, as amended

The undersigned, Alberto Vacchi, Chairman and Managing Director, and Sergio Marzo, the executive responsible for preparing the financial reports of I.M.A. Industria Macchine Automatiche S.p.A. certify, having regard for the requirements of Art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:

- the appropriateness with regard to the characteristics of the Company and
- the effective application of the administrative and accounting procedures in preparing the consolidated financial statements for the period January-December 2018

It is also certified that:

1) the consolidated financial statements:

a) have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002;

b) correspond to the entries in the accounting books and records;

c) provide a true and fair view of the performance and financial position of the issuer and the companies included in the scope of consolidation.

2) the report on operations includes a reliable analysis of the business and the performance and financial position of the issuer and the companies included in the scope of the consolidation, together with a description of the risks and uncertainties to which they are exposed.

Ozzano dell'Emilia (BO), 15 March 2019

Managing Director Alberto Vacchi	Manager responsible for preparing financial reports Sergio Marzo

Report of the independent auditors at 31 December 2018

I.M.A. INDUSTRIA MACCHINE AUTOMATICHE S.P.A.
AND SUBSIDIARIES

(The consolidated financial statements have been translated from the original Italian into English solely for the convenience of international readers)

I.M.A. Industria Macchine Automatiche S.p.A.

Consolidated financial statements at December 31, 2018

Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated January 27, 2010, and article 10 of EU Regulation n. 537/2014

EY S.p.A.
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Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
I.M.A. Industria Macchine Automatiche S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of I.M.A. Industria Macchine Automatiche S.p.A. and its subsidiaries ("I.M.A. Group" or "Group"), which comprise the statement of financial position at December 31, 2018, the income statement, the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued to implement article 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of I.M.A. Industria Macchine Automatiche S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EY S.p.A.
Sede Legale: Via Po, 32 – 00198 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters.

Key Audit Matters	Audit Responses
Valuation of goodwill	
At December 31, 2018 the carrying amount of goodwill, reported in line item Intangible Assets of the financial statements, amounts to Euro 222.4 million allocated to different Cash Generating Units (CGUs) which are tested for impairment annually, or more frequently if indications of impairment exist. The processes and methodologies applied to evaluate and determine the recoverable amount of each CGU, in terms of value in use, are based on complex assumptions that, due to their nature, imply the use of management's judgment, in particular with reference to the forecasted cash flows for the period 2019-2021, the normalized cash flows used to estimate terminal value and the discount and longterm growth rates applied. Considering the level of judgment and complexity of the assumptions applied in estimating the recoverable amount of goodwill, we determined that this item represents a key audit matter. The disclosures relating to the valuation of goodwill are included in note 3 "*Intangible assets"* of the financial statements, as well as in section *C)* "*Accounting policies and accounting standards applied*" under paragraphs "*Intangible assets*", "*Impairment of assets*" and "*Use of estimates and assumptions*".	Our audit procedures relating to this key audit matter included, among others: • assessing the processes and key controls implemented by the Group in relation to the valuation of goodwill; • validating the proper identification of the CGUs by management and the allocation of the carrying values of assets and liabilities to each CGU; • assessing the cash flow forecasts; • validating the allocation of the forecasted cash flows to each CGU in the Group business plan for the period 2019-2021; • assessing the accuracy of the cash flow forecasts as compared to the historical cash flows of the prior years; • assessing long-term growth rates and discount rates. In our analysis we involved EY valuation specialists who performed their independent valuation and sensitivity analyses on key assumptions to determine any changes that could materially impact the valuation of the recoverable amount. Lastly, we verified the adequacy of the disclosures provided in the notes to the financial statements in relation to the valuation of goodwill.

Revenue recognition and valuation of contract assets and liabilities of contract work

The financial statements include Euro 726.1 million of revenue from contract work, and related contract assets and liabilities for Euro 189.5 million and Euro 40.4 million, respectively. Such revenues and margins from contract work are recognized on the stage-of-completion basis applying the "cost-to-cost method", which is based on the ratio of actual costs incurred for work performed to date on the estimated total costs to complete the contract.

The procedures and application for revenue recognition, and for the valuation of contract assets and liabilities of contract work, are based on complex assumptions that, due to their nature, imply the use of management's judgment, in particular with reference to the estimated costs to complete each project and changes in estimates compared to the previous year, if any. Such changes could be influenced by multiple factors such as, for example, the timeframe required to develop and complete the projects, the high technological and innovative content, the possible presence of price variances and price adjustments, and the performance guarantees of the machines, including the estimation of contractual risks, if any.
Considering the economic and financial significance of contract work and the complexity of the assumptions used in forecasting total costs of the contracts, in addition to the potential impact of the changes in estimates, we considered that this item represents a key audit matter.

The disclosures relating to revenue recognition and valuation of contract assets and liabilities are included in note 10 "*Trade receivables and other receivables and contract assets*", as well as in section *C)* "*Accounting policies and accounting standards applied*" under paragraphs "*Revenue from contracts with customers*" and "*Use of estimates and assumptions*".

Our audit procedures in response to the key audit matter included, among others:

- the assessment of the procedures and controls performed by the Group during the planning and monitoring of contracts, including the assessment of revenue recognition criteria;
- the assessment, with reference to key projects, of the key assumptions used in forecasting total costs to complete the contracts and to determine total revenue, through testing the project progress reports, contractual supporting documentation and interviews of project managers;
- the comparative analysis of the main changes in contracts' results as compared to the original budget or the previous year estimates;
- the assessment of the assumptions that required significant management judgments, such as, for example, those related to the forecasting of costs related to projects with high technological and innovative content;
- the execution, on a sample basis, of substantive procedures on contract costs incurred;
- the testing of the mathematical accuracy of the calculation of the projects' percentage of completion.

Lastly, we verified the adequacy of the disclosures provided in the notes to the financial statements in relation to revenue recognition and to the evaluation of contract assets and liabilities.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation the consolidated financial statements hat give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company I.M.A. Industria Macchine Automatiche S.p.A. or to cease operations, or have no realistic alternative but to do so.

The Board of Statutory Auditors ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we complied with the ethical and independence requirements applicable in Italy, and we have communicated to them all circumstances that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional Information Pursuant to Article 10 of EU Regulation n. 537/14

The shareholder of I.M.A. Industria Macchine Automatiche S.p.A., in the general meeting held on April 24, 2013, engaged us to perform the audits of the consolidated financial statements for each of the years ending December 31, 2013 to December 31, 2021.

We declare that we have not provide any prohibited non-audit services, referred to in article 5, paragraph 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to Board of Statutory Auditors (Collegio Sindacale) in its capacity as audit committee, prepared in accordance with article 11 of the EU Regulation n. 537/2014.

Report on Compliance with Other Legal and Regulatory Requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998[1]

The Directors of I.M.A. Industria Macchine Automatiche S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of I.M.A. Group at December 31, 2018, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998, with the consolidated financial statements of I.M.A. Group at December 31, 2018 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of I.M.A. Group at December 31, 2018 and comply with the applicable laws and regulations.

[1] The Report on Operations and of the Report on Corporate Governance and Ownership Structure of I.M.A. Group at December 31, 2018 are not included in this Offering Memorandum

With reference to the statement required by article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement Pursuant to Article 4 of Consob Regulation Implementing Legislative Decree n. 254, dated December 30, 2016

The Directors of I.M.A. Industria Macchine Automatiche S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated December 30, 2016. We have verified that non-financial information has been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated December 30, 2016, such non-financial information is subject to a separate compliance report signed by us.

Bologna, March 27, 2019

EY S.p.A.
Signed by: Alberto Rosa, Partner

This report has been translated into the English language solely for the convenience of international readers.

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2017

(THE CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN TRANSLATED FROM THE ORIGINAL ITALIAN INTO ENGLISH SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(THOUSANDS OF EUROS)

ASSETS	Note	31 December 2017	31 December 2016
NON-CURRENT ASSETS			
Property, plant and equipment	2	95,092	88,175
Intangible assets	3	362,162	332,773
Investments accounted for using the equity method	4	40,325	23,014
Financial assets	5	4,969	7,138
Receivables from others	6	3,433	3,234
Deferred tax assets	8	67,879	64,916
TOTAL NON-CURRENT ASSETS		573,860	519,250
CURRENT ASSETS			
Inventories	9	309,693	278,909
Trade and other receivables	10	389,332	359,421
Income tax receivables	11	9,396	7,985
Financial assets	5	17,946	9,567
Derivative financial instruments	7	173	218
Cash and cash equivalents	12	206,681	201,081
TOTAL CURRENT ASSETS		933,221	857,181
TOTAL ASSETS		**1,507,081**	**1,376,431**

EQUITY AND LIABILITIES	Note	31 December 2017	31 December 2016
EQUITY			
Share capital		20,415	20,415
Reserves and retained earnings		263,210	141,586
Profit for the year		85,590	93,536
Equity attributable to equity holders of the parent	13	369,215	255,537
Non-controlling interests	14	21,309	14,647
TOTAL EQUITY		390,524	270,184
NON-CURRENT LIABILITIES			
Borrowings	15	167,480	221,186
Employee defined benefit liabilities	16	55,961	57,926
Provisions for risks and charges	17	5,814	5,867
Other payables	18	35,266	20,092
Derivative financial instruments	7	1,943	2,280
Deferred tax liabilities	8	61,528	62,135
TOTAL NON-CURRENT LIABILITIES		327,992	369,486
CURRENT LIABILITIES			
Borrowings	15	108,459	93,538
Trade and other payables	18	635,739	596,753
Income tax liabilities	11	11,574	14,418
Provisions for risks and charges	17	32,585	30,916
Derivative financial instruments	7	208	1,136
TOTAL CURRENT LIABILITIES		788,565	736,761
TOTAL LIABILITIES		1,116,557	1,106,247
TOTAL EQUITY AND LIABILITIES		**1,507,081**	**1,376,431**

THE EFFECTS OF TRANSACTIONS WITH RELATED PARTIES ON THE ITEMS IN THE CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION ARE SHOWN IN NOTE 32 – RELATED-PARTY TRANSACTIONS.

CONSOLIDATED INCOME STATEMENT

(THOUSANDS OF EUROS)

	Note	2017	2016
REVENUE	1	1,444,730	1,310,846
OTHER REVENUE	19	28,323	22,747
OPERATING COSTS			
Change in work in progress, semifinished and finished goods		18,676	36,312
Change in inventory of raw, ancillary and consumable materials		5,537	2,475
Cost of raw, ancillary and consumable materials and goods for resale	20	(540,770)	(520,625)
Services, rentals and leases	21	(328,140)	(285,775)
Personnel costs	22	(409,937)	(371,489)
Depreciation, amortization and write-downs	23	(42,457)	(39,554)
Provisions for risks and charges		(680)	(3,825)
Other operating costs	24	(10,064)	(9,771)
TOTAL OPERATING COSTS		(1,307,835)	(1,192,252)
- of which: effect of non-recurring items	33	*(13,245)*	*(5,925)*
OPERATING PROFIT	1	165,218	141,341
- of which: effect of non-recurring items	33	*(13,245)*	*(5,925)*
FINANCIAL INCOME AND EXPENSE			
Financial income	25	27,062	36,236
Financial expense	26	(42,977)	(29,950)
TOTAL FINANCIAL INCOME AND EXPENSE		(15,915)	6,286
PROFIT (LOSS) FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		1,281	1,526
PROFIT BEFORE TAXES		150,584	149,153
TAXES	27	(51,159)	(47,761)
PROFIT FOR THE YEAR		**99,425**	**101,392**
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE PARENT		85,590	93,536
NON-CONTROLLING INTERESTS		13,835	7,856
		99,425	**101,392**
BASIC/DILUTED EARNINGS PER SHARE (in euros)	**28**	**2.18**	**2.43**

THE EFFECTS OF TRANSACTIONS WITH RELATED PARTIES ON THE CONSOLIDATED INCOME STATEMENT ARE SHOWN IN NOTE 32 – RELATED-PARTY TRANSACTIONS.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(THOUSANDS OF EUROS)

	Note	2017	2016
Net profit for the year		99,425	101,392
Other comprehensive income to be reclassified to profit or loss in subsequent year:			
Exchange rate gains (losses) on the translation of foreign currency financial statements		(10,269)	(327)
Gains (losses) on financial assets available for sale	13	226	—
Gains (losses) on cash flow hedges	13	995	(729)
Tax effect		(285)	165
Net other comprehensive income to be reclassified to profit or loss in subsequent year		**(9,333)**	**(891)**
Other comprehensive income not being reclassified to profit or loss in subsequent year:			
Actuarial gains (losses) on post employment benefit obligations	13	1,625	(3,096)
Tax effect		(615)	1,080
Net other comprehensive income not being reclassified to profit or loss in subsequent year		**1,010**	**(2,016)**
Gains and losses recognized in equity		**(8,323)**	**(2,907)**
Total comprehensive income		**91,102**	**98,485**
Attributable to:			
Equity holders of the parent		77,316	90,780
Non-controlling interests		13,786	7,705
		91,102	**98,485**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(THOUSANDS OF EUROS)

	Share capital	Share premium reserve	Treasury shares	Translation reserve	Fair value reserve	Other reserves and retained earnings	Profit attributable to equity holders of the parent	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balances at 01.01.2016	**19,505**	**32,591**	**(71)**	**9,736**	**(1,693)**	**29,012**	**69,915**	**158,995**	**16,784**	**175,779**
Distribution of dividends	—	—	—	—	—	—	(52,506)	(52,506)	(7,537)	(60,043)
Allocation of earnings for 2015	—	—	—	—	—	17,409	(17,409)	—	—	—
Capital increases	910	90,227	—	—	—	—	—	91,137	42	91,179
Change of non-controlling interests	—	—	—	—	—	(32,869)	—	(32,869)	(2,347)	(35,216)
Total comprehensive income	—	—	—	(277)	(520)	(1,959)	93,536	90,780	7,705	98,485
Balances at 31.12.2016	**20,415**	**122,818**	**(71)**	**9,459**	**(2,213)**	**11,593**	**93,536**	**255,537**	**14,647**	**270,184**
Distribution of dividends	—	—	—	—	—	—	(62,807)	(62,807)	(10,583)	(73,390)
Allocation of earnings for 2016	—	—	—	—	—	30,729	(30,729)	—	—	—
Capital increases	—	—	—	—	—	—	—	—	87	87
Change of non-controlling interests	—	—	—	—	—	99,169	—	99,169	3,372	102,541
Total comprehensive income	—	—	—	(10,187)	889	1,024	85,590	77,316	13,786	91,102
Balances at 31.12.2017	**20,415**	**122,818**	**(71)**	**(728)**	**(1,324)**	**142,515**	**85,590**	**369,215**	**21,309**	**390,524**

AS REGARDS THE ITEMS IN CONSOLIDATED EQUITY, SEE NOTES 13 AND 14.

CONSOLIDATED STATEMENT OF CASH FLOWS

(THOUSANDS OF EUROS)

	Note	31 December 2017	31 December 2016
OPERATING ACTIVITIES			
Profit attributable to equity holders of the parent		85,590	93,536
Adjustments for:			
- Depreciation and amortization	23	40,038	37,815
- (Writebacks) or write-downs of non-current assets	23	2,011	—
- Capital (gains) losses on disposal of non-current assets	19-24	(1,281)	(476)
- Proceed from exercise of option on non-controlling interests	25	—	(18,699)
- Changes in provisions for risks and charges and employee defined benefit liabilities		(1,079)	1,924
- Unrealized losses (gains) on exchange rate differences	26	3,004	248
- Other changes		(882)	(751)
- Taxes	27	51,159	47,761
- Non-controlling interests		13,835	7,856
- Result from investments accounted for using the equity method		(1,281)	(1,526)
Operating profit before changes in working capital		191,114	167,688
(Increase) decrease in trade and other receivables	10	(21,581)	(51,000)
(Increase) decrease in inventories	9	(20,575)	(38,968)
Increase (decrease) in trade and other payables	18	24,551	97,476
Taxes paid		(58,424)	(46,769)
CASH FLOW PROVIDED BY OPERATING ACTIVITIES (A)		115,085	128,427
INVESTING ACTIVITIES			
Investments in property, plant and equipment	2	(21,134)	(20,293)
Investments in intangible assets	3	(20,134)	(15,506)
Acquisition business divisions/companies	29	(26,283)	(8,256)
Amounts paid as earn-out		(3,826)	—
Purchase of investments	4	(18,508)	(2,266)
Sale of subsidiaries and joint venture		—	8,000
Sale of non-current assets		2,874	935
Other changes		(4,437)	(15)
CASH FLOW USED IN INVESTING ACTIVITIES (B)		(91,448)	(37,401)
FINANCING ACTIVITIES			
Granting of loans	15	1,186	50,000
Repayment of borrowings	15	(49,144)	(45,731)
Bonds	15	(5,229)	—
Repayment of finance lease debts		(225)	(207)
Increase (decrease) in other financial payables		19,001	(30,377)
Capital increases		—	90,513
Change in non-controlling interests	14	103,641	(35,378)
Consideration for excercise of option on non-controlling interests		—	(4,000)
Net change in financial assets and other non-current receivables		(5,537)	(920)
Dividends paid to equity holders of the parent	13	(62,807)	(52,506)
Dividends paid to non-controlling interests	14	(10,583)	(7,537)
Payment of interest		(8,439)	(10,004)
Receipt of interest		99	124
CASH FLOW USED IN FINANCING ACTIVITIES (C)		(18,037)	(46,023)
NET CHANGE IN CASH AND CASH EQUIVALENTS (D=A+B+C)		**5,600**	**45,003**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (E)	**12**	**201,081**	**156,078**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (F=D+E)	**12**	**206,681**	**201,081**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2017

(THE CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN TRANSLATED FROM THE ORIGINAL ITALIAN INTO ENGLISH SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS)

A) OVERVIEW

IMA Group is a world leader in the design and production of automatic machines for the processing and packaging of pharmaceuticals, cosmetics, tea, coffee, tobacco and other food products.

The Parent Company of the IMA Group is I.M.A. Industria Macchine Automatiche S.p.A. (referred to as "IMA", "IMA S.p.A." or the "Parent Company"), with registered offices at Via Emilia 428/442, Ozzano dell'Emilia (Bologna). IMA is listed on the S.T.A.R. segment of Borsa Italiana S.p.A.'s electronic stock exchange.

At 31 December 2017, IMA S.p.A. is 57% held by SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A., which is a subsidiary of Lopam Fin S.p.A. The latter, with registered office in Via Tosarelli 184, Castenaso (Bologna), draws up consolidated financial statements for a majority of the companies in the Group. This consolidated financial statements are available at the Bologna company register.

IMA S.p.A. has dealings mainly of a commercial nature with the Group's manufacturing companies, involving the purchase and sale of machines required for the assembly of complete product lines. It also provides these companies with services. IMA's dealings with the Group's marketing companies relate to the sale, distribution and related customer service activities in their respective territories of products manufactured by IMA's various divisions. IMA's manufacturing subsidiaries also have similar relationships with these marketing companies.

These financial statements for the year ended 31 December 2017 were prepared by the Board of Directors on 14 March 2018 and have been audited by EY S.p.A.

B) GENERAL PREPARATION POLICIES

General principles

In compliance with Regulation (EC) no. 1606/2002, the consolidated financial statements were prepared in accordance with the IAS/IFRS International Accounting Standards issued by the International Accounting Standards Board (IASB) currently in force and the related interpretations issued to date by the Standing Interpretations Committee and the International Financial Reporting Interpretations Committee (SIC/IFRIC), as endorsed by the European Union.

The IMA Group adopted IFRS in 2005, whereas the Parent Company, I.M.A. S.p.A., adopted them for its separate financial statements from 1 January 2006, as permitted by Legislative Decree 38 of 28 February 2005.

The consolidated financial statements of the IMA Group have been prepared on a going-concern basis, since there are no significant doubts or uncertainties about its ability to continue in business for the foreseeable future.

Financial statements

The statement of financial position has been classified on the basis of the operating cycle, distinguishing between current and non-current items. With this distinction, assets and liabilities are considered current if they are expected to be realized or settled as part of the Group's normal operating cycle or within twelve months. Non-current assets held for sale and related liabilities, if any, are shown in the appropriate items.

The costs and revenue for the year are presented in two statements: a consolidated income statement, which analyses costs according to their nature, and a consolidated statement of comprehensive income. The result deriving from discontinued assets and/or disposal groups, if any, is shown under an appropriate item of the consolidated income statement.

The statement of cash flows has been prepared using the indirect method for determining cash flows from operating activities. Under this method, the net profit for the period is adjusted for the effects of non-monetary transactions, any deferral of operational collections and payments already made, any accrued cash movements, the revenue or costs deriving from cash flows attributable to investment or financing activities. The Group classifies interest and dividends as cash flows from financing activities.

The figures contained in the consolidated financial statements as of 31 December 2017 are expressed in thousands of euros, except where otherwise indicated.

C) ACCOUNTING POLICIES AND PRINCIPLES

The most significant accounting policies are as follows:

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognized at purchase or construction cost, including directly attributable ancillary expenses. Property, plant and equipment are depreciated each year on a straight-line basis over their estimated remaining useful life, as follows:

• Buildings and light constructions	10-40 years
• Plant and machinery	5-10 years
• Industrial and commercial equipment	4 years
• Other assets	4-9 years

The residual value and the estimated useful lives of property, plant and equipment are reviewed at the end of each financial year, if not more frequently.

Land is not depreciated since it has an unlimited useful life.

Leasehold improvements, that meet the recognition requirements, are depreciated over their expected useful life or the term of the lease, if this is shorter.

Ordinary maintenance costs are expensed as incurred. When property, plant and equipment need to be replaced at regular intervals, the cost of the part replaced is reversed from the book value of the asset and the cost of the replacement is capitalised in its place.

The carrying amount of property, plant and equipment is checked periodically for impairment losses, in the manner described in the section on impairment of assets.

LEASES

Finance lease contracts are accounted for in accordance with IAS 17. This provides that:

- the cost of the leased assets is recognized under property, plant and equipment and depreciated on a straight-line basis over the assets' estimated useful life; the financial liability to the lessor is recognized for an amount equal to the value of the leased asset;
- the recognition of lease instalments separates the interest element from the principal, which is deemed to represent repayment of the liability to the lessor.

Lease contracts under which the lessor retains substantially all of the risks and benefits of ownership are classified as operating leases, and the related instalments are charged to the income statement on a straight-line basis over the duration of the contract.

INTANGIBLE ASSETS

Bought-in or internally generated intangible assets are recognized when it is likely that their use will generate economic benefits in the future and when their cost can be reliably determined. These assets are recognized at their purchase or production cost.

Intangible assets with finite useful lives are amortised each year on a straight-line basis over their estimated useful lives, as follows:

- Industrial patents and intellectual property rights 3-15 years
- Software, licences and similar rights 5-15 years
- Trademarks 10-20 years
- Development costs 5-15 years

Assets with indefinite useful lives are not amortised but are tested for possible impairment of value on an annual basis, or more frequently if evidence suggests an impairment has occurred.

Research costs are charged to the income statement as soon as they are incurred. Development costs that qualify for capitalization as assets under IAS 38 (in relation to their technical feasibility, the intention and ability of the enterprise to complete, use or sell the assets, the availability of the resources required for the completion of the development project and the ability to measure the expenditure reliably) are generally amortised in relation to their future economic utility. Amortisation begins from the moment the products become available for economic use.

The estimate of useful life is reviewed and adjusted to reflect changes in projected future utility.

Goodwill is the excess of the cost of a business combination over the Group's share of the net fair value of those purchased assets, liabilities and contingent liabilities that can be identified individually and recognized separately. Goodwill is an intangible asset with an indefinite useful life.

Goodwill is not amortised. It is allocated to the related cash-generating units (CGUs) and, pursuant to IAS 36 (Impairment of Assets), undergoes impairment testing annually, or more frequently if events or changed circumstances indicate a probable impairment of value. Subsequent to initial recognition, goodwill is recognized at acquisition price net of any accumulated impairment.

IMPAIRMENT OF ASSETS

A tangible or intangible asset is impaired if its carrying value is greater than the amount that can be recovered from its use or sale. The impairment test required by IAS 36 ensures that tangible and intangible assets are not carried at a value exceeding their recoverable value, which is the higher of their net selling price or their value in use.

Value in use is defined as the present value of the future cash flows expected to be generated from the continuing use of an asset or by the related CGU. The present value of future cash flows is estimated using a pre-tax discount rate that reflects the current estimated market cost of borrowing, which is calculated in relation to the time value of money and the specific risks associated with the asset.

If the carrying amount exceeds recoverable value, the asset or CGU is written down to reflect such recoverable value. This impairment is charged to the income statement.

Impairment tests are carried out when factors internal or external to the company suggest that the value of an asset may have been impaired. In the case of goodwill and other intangible assets with an indefinite useful life, the impairment test must be carried out at least once a year.

If the conditions that led to an impairment cease to apply, the proportional reinstatement of the value of assets previously written down must not exceed the depreciated historical cost that would have been reported had such earlier impairment not been recognized. Writebacks are recognized in the income statement.

International accounting standards prohibit the reversal of impairment losses recognized in relation to goodwill.

FINANCIAL ASSETS

According to IAS 39 financial assets are split into four categories: financial assets at fair value through profit and loss, investments held to maturity, loans and receivables, and financial assets available for sale.

The IMA Group holds available-for-sale securities and equity investments in other companies and financial receivables. Financial assets available for sale are measured at fair value and financial receivables are measured at fair value on initial recognition and subsequently at amortised cost.

At 31 December 2017, the Group did not possess financial instruments measured at fair value in the income statement or investments held to maturity.

HEDGING INSTRUMENTS

The fundamental characteristics of financial instruments are described in the preceding section with regard to financial assets and in the section “Borrowings” with regard to financial liabilities.

The Group mainly uses derivative financial instruments to hedge exchange rate and interest rate risk. The Group does not hold any speculative financial instruments, in accordance with the procedure approved by the Executive Committee.

The Group has opted to account for financial instruments under the hedge accounting rules when:

- at the inception of the operation, the instrument is formally designated as a hedge and the hedging relationship is documented;
- the hedge is expected to be highly effective;
- the effectiveness can be reliably measured and the hedge itself remains highly effective throughout the designated periods.

The Group recognizes cash flow hedges when it is formally documented that they hedge fluctuations in the cash flows deriving from an asset, liability or highly probable forecast transaction (the hedged underlying) that could affect the income statement.

Hedging instruments are measured at their fair value at the reporting date as estimated by independent third parties.

The fair value of foreign exchange derivatives used to hedge future cash flow is calculated in relation to their intrinsic value and their time value; the intrinsic element is recognized in the statement of comprehensive income, whereas the time element is booked directly to income as financial income or expense.

When the underlying element being hedged becomes manifest, the fair value reserve is reversed to the income statement and attributed to the carrying value of the underlying.

The fair value of interest rate derivatives is determined by their market value at the date of designation when it refers to hedging instruments of future cash flows. This is recognized in the fair value reserve in equity and reversed to income when the event associated with the underlying financial charge/income occurs.

Changes in the fair value of instruments that do not satisfy the requirements for hedge accounting under IAS 39 are recognized in the income statement as financial income/expense.

INVENTORIES

Inventories are booked at the lower of cost or their estimated net realizable value. Cost is determined using the weighted average cost method for raw, ancillary and consumable materials and semi-finished products, whereas actual cost is used for other inventory items.

CONTRACT WORK

Contract work is defined in IAS 11 ("Construction Contracts") as a contract specifically negotiated for the construction of an asset or a group of interrelated assets, having regard for their design, technology, function or final use.

Contract costs are recognized in the year they are incurred.

Contract revenue is recognized on a stage-of-completion basis at the reporting date, if the outcome of the construction contract can be estimated reliably. If the outcome of a construction contract cannot be estimated reliably, revenue is recognized only to the extent of the contract costs incurred that are likely to be recovered. Expected losses on a construction contract are recognized as an expense as soon as it becomes probable that total contract costs will exceed total contract revenue.

Revenue from contract work is recognized on a stage-of-completion basis applying the "cost-to-cost" method, which involves establishing the proportion of costs incurred on work performed to date with respect to the estimated total costs of the contract. The valuation reflects the best estimate of the project costs at the balance sheet date. Directors base their estimates on the information generated by the internal system of reporting, forecasting and accounting for the contract; they also examine and, where necessary, revise their estimates of revenues and costs at the various stages of completion of the contract. Any economic effects are recognized in the period that the updates are made.

To provide better support for management's estimates, the Group has set up contract risk management and analysis tools, designed to identify, monitor and quantify the risks relating to the performance of such contract work.

Contract work is shown net of any provisions for write-downs, losses likely to be incurred to finish the contract and advance payments for contract work in progress. This analysis is carried out contract by contract and their presentation in the statement of financial position is as follows:

- the amount due from customers is classified among Trade receivables if the costs incurred plus recognized margins (less recognized losses) exceed the advances received;
- the amount due to customers is classified among Advances if the advances received exceed the costs incurred plus recognized margins (less recognized losses).

TRADE RECEIVABLES AND OTHER RECEIVABLES

Receivables measured at fair value less any impairment loss, the due dates of which are in accordance with normal commercial terms and which accrue interest at market rates, are recorded at their fair value, which is taken to be their nominal value, less a provision for any impairment loss in order to reflect their realisable value.

Receivables falling due beyond a period considered normal commercial practice and not earning explicit interest are recognized at amortised cost using the effective interest rate method, net of any related impairment losses.

Receivables sold without recourse are derecognized from the balance sheet if substantially all of the related risks and rewards have been transferred to the purchaser.

CASH AND CASH EQUIVALENTS

This item includes cash on hand, sight and short-term bank deposits with an original maturity of not more than three months and with no risks. Bank overdrafts repayable on demand are not an integral part of the management of cash and cash equivalents.

TREASURY SHARES

In accordance with IAS 32, treasury shares are classified separately as a direct deduction from shareholders' equity. No gain or loss is recognized in income on the purchase, sale or cancellation of treasury shares.

Any consideration paid or received, including expenses directly attributable to such equity transactions, net of any related tax benefits, is recognized directly in equity.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are set aside to cover current, legal or implicit liabilities deriving from past events, the amount required for the settlement of which can be reasonably estimated at the end of the period.

No provisions are recorded if a liability is considered to be merely potential, although suitable information is provided in the notes to the financial statements.

EMPLOYEE BENEFITS

Employee benefits mainly include the staff severance pay of the Group's Italian companies and pension funds of the Group's German companies.

As a result of the reform of the supplementary pension scheme, introduced by Law 296 of 27 December 2006 (the Finance Act 2007), the Group calculates the actuarial value of severance pay accrued before 2007 without making allowance for any future wage increases. The portion accrued after 31 December 2006 is treated as a defined-contribution plan.

The net liabilities of the Group in relation to the defined-benefit plans are determined separately for each plan, estimating the present value of the future benefits earned by employees during the current and prior years, and deducting the fair value of any assets held to service the plan.

Actuarial gains and losses are recognized in a specific equity reserve. The cost of each plan is determined with reference to demographic and statistical assumptions and on the basis of wage trends.

BORROWINGS

IAS 39 distinguishes between financial liabilities measured at fair value with changes recognized through profit or loss and changes and financial liabilities measured at amortised cost. The Group's loans are measured at amortised cost using the effective interest method.

At 31 December 2017 the IMA Group does not have financial liabilities at fair value with changes recognized in the income statement.

OTHER PAYABLES

As regards the put & call options on minority interests, the Group recognises a financial liability equal to the current value of the option's strike price, which is classified under Other payables. At the time of initial recognition of the liability, this value is reclassified from equity by reducing minority interests if the terms and conditions of the put & call option already give the Group access to the economic benefits linked to the share of capital under option; the Group therefore accounts for this share as if it had already been purchased. The liability is subsequently remeasured at each closing date in accordance with the provisions of IAS 39.

GOVERNMENT GRANTS

Government grants are recognized when it becomes reasonably certain that the Group will comply with all the conditions established for receipt of the grants, and that such grants will actually be received.

They are recorded using the income method.

TAXES

Income taxes include current and deferred taxes. Income taxes are generally recognized in profit or loss except when they regard items recognized directly in equity. In this case, the related income taxes are also recognized in equity.

Current taxes are taxes which are expected to pay based on the taxable income for the year and are calculated using the tax rate applying in the various countries in which the IMA Group operates.

Deferred tax liabilities are calculated by applying the liability method to temporary differences between the value of consolidated balance sheet assets and liabilities and the corresponding values recognized for tax purposes. Deferred taxes are determined using the tax rate which is expected to apply when the assets are realized or the liabilities settled.

Deferred tax assets are recognized only when it is probable that taxable income in future years will be sufficient to realize them.

Deferred tax assets and liabilities are off-set only when there is a legal entitlement to do so and when they relate to taxes due to the same tax authority.

Provision for taxes that might arise on transferring undistributed earnings of subsidiaries are only made if there is a real intention to transfer such earnings.

Taxes relating to prior periods include revenue and expenses recognized during the year for income tax relating to prior years.

REVENUE RECOGNITION

Revenue is recognized to the extent that the economic benefits are likely to be obtained and the amount concerned can be determined with reasonable accuracy and they are measured at the fair value of the consideration received or receivable, taking into account any discounts. Revenue relating to the sale of products is recognized when substantially all of the risks and rewards of ownership of the goods have been transferred to the purchaser. The moment of transfer of ownership is title or possession of the goods is transferred to the buyer, which generally coincides with shipment. The only exception relates to revenue from construction contracts which, as explained above, are recognized on a percentage-of-completion basis.

DISCONTINUED OPERATIONS/DISPOSAL GROUPS

Non-current assets (or groups of assets being divested) are classified as held for sale if their carrying amount will be recovered essentially through disposal rather than through continued use. These assets are measured at the lower their carrying amount or their fair value, net of selling costs.

Assets and liabilities held for sale are classified separately from other assets and liabilities in the balance sheet. If the assets and liabilities held for sale meet the definition of discontinued operations, their results are reported separately in the income statement, net of tax. In this case, the comparative income statement is restated accordingly.

TRANSLATION OF FOREIGN CURRENCY BALANCES

Functional and presentation currency

The balance sheets, income statements and statements of cash flows of Group companies are prepared using the currency of the primary economic environment in which the companies operate (functional currency). The consolidated financial statements are presented in Euros, the Parent Company's functional and presentation currency.

Transactions and balances

As required by IAS 21, amounts originally denominated in foreign currency are translated into the functional currency and are accounted for as follows:

- monetary items are translated at the spot exchange rate prevailing at the end of the period;
- non-monetary items recognized at historical cost are translated using the exchange rate prevailing at the time of the transaction;

- non-monetary items measured at fair value are translated using the exchange rate prevailing at the time the fair value was determined.

Exchange rate differences realized on the collection of receivables or the settlement of payables denominated in foreign currencies are taken to the income statement. Unrealized exchange differences arising from the translation of monetary items at the year end spot exchange are taken to the income statement.

Group companies

The translation into Euros of the financial statements of foreign companies included within the scope of consolidation is carried out by applying the current exchange rate at the closing date to balance sheet assets and liabilities, and the average exchange rates for the period to items in the income statement.

Exchange rate differences deriving from the translation of initial net equity at the rates current at the end of the period and from the translation of the income statement at the same rates at the end of the period are recognized as a separate component of equity called the translation reserve.

Goodwill arising on the acquisition of a foreign operation is accounted for as an asset of the foreign operation and translated at the spot exchange rate at the balance sheet date, with an opposite entry made to the translation reserve.

The principal exchange rates, as reported by the European Central Bank and used for the translation to Euro of foreign currency amounts, are as follows:

	2017		2016	
Currency	**Final exchange rate**	**Average exchange rate for the year**	**Final exchange rate**	**Average exchange rate for the year**
US dollar	1.199	1.129	1.054	1.107
GB pound sterling	0.887	0.876	0.856	0.819
Indian rupee	76.605	73.498	71.594	74.372
Chinese yuan	7.804	7.626	7.320	7.352
Swiss franc	1.170	1.111	1.074	1.090

DIVIDENDS

Dividends distributed to shareholders of the Parent Company are recognized as a liability in the consolidated financial statements in the period in which the dividend is approved by the Shareholders' Meeting.

EARNINGS PER SHARE

Basic earnings per share are calculated as the ratio of Group net profit to the weighted average number of ordinary shares outstanding in the period.

USE OF ESTIMATES AND ASSUMPTIONS

When preparing consolidated financial statements, management must use accounting principles and methods which, in some cases, are based on difficult and subjective valuations and estimates, which are based on past experience, and on assumptions that are deemed from time to time as reasonable and realistic on a case-by-case basis.

Application of these estimates and assumptions affects the amounts shown in the financial statements, namely the balance sheet, income statement and cash flow statement, as well as the explanatory notes.

The financial statements items that require a greater subjectivity on the part of the directors in preparing estimates and for which a change in the conditions underlying the assumptions used can have a significant impact on the Group's consolidated financial statements are:

- goodwill and other intangible assets,
- deferred tax assets,
- inventories and contract work,
- liabilities for employee benefits,
- liabilities calculated as the current value of the strike price of options to buy minority interests,
- bad debt provisions,
- provisions for risks and charges.

With reference to goodwill and other intangible assets, the processes and methods for evaluating and determining estimates are based on complex assumptions regarding revenue, operating costs, margins, investments, terminal value growth rates and discount rates, to differentiate for each CGU on the basis of the different markets in which the Group operates.

With reference to contract work, the application of the cost-to-cost method requires a prior estimate of the entire lifetime costs of the individual projects and their updating at each balance sheet date, through the use of assumptions by the directors. These assumptions can be influenced by multiple factors, such as, for example, the time span of several years over which some projects are developed, their high technological level and innovative content, any variances and price revisions, the performance guarantees of the machines, including an estimate of contractual risks, if any. These facts and circumstances make it difficult to estimate the projects' costs to complete and, consequently, to estimate the value of contract work in progress at the balance sheet date.

The parameters used when making estimates are analytically commented on in the section on accounting policies in the notes to the consolidated financial statements.

Estimates and assumptions are regularly revised and the effects of any changes are immediately reflected in the income statement.

SEGMENT INFORMATION

Operating segments have been identified based on the internal reports used by senior management to allocate resources and evaluate the results of each business.

From 30 June 2017, the Group decided to modify its segment information to highlight the Tobacco packaging segment, which was previously included in Tea, Food & Other. This decision derives from the fact that the Tobacco segment has achieved much greater importance and an independent organisational structure; therefore, the Group's segment information pertains to the Tea, Food & Other, Pharmaceutical and Tobacco packaging sectors, aggregated by market. In accordance with IFRS 8 Operating Segments, the information on prior periods has been appropriately restated to ensure full comparability in Note 1, to which reference should be made.

IMPLEMENTATION OF ACCOUNTING STANDARDS

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED ON 1 JANUARY 2017

The accounting standards and amendments effective from 1 January 2017 are as follows:

- IAS 7 Disclosure Initiative – Amendments to IAS 7;
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12;
- annual improvements to IFRSs 2014-2016 Cycle – amendments to IFRS 12 – Disclosure of Interests in Other Entities.

These amendments and changes did not have a significant impact on the Group's balance sheet, income statement and financial position.

ACCOUNTING STANDARDS ISSUED BUT NOT YET IN FORCE

The Group is assessing the impact of the amendments to accounting standards that have been issued but not yet in force. Below are listed the standards and interpretations that were not yet in force at the date of preparation of the Group's consolidated financial statements, even if issued and not adopted early by the Group:

- IFRS 9 – Financial Instruments;
- IFRS 15 – Revenue from Contracts with Customers;
- IFRS 16 – Leases;
- IFRIC Interpretation 22 – Foreign Currency Transaction and Advance Consideration;
- IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments;
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions;
- Amendments to IFRS 9 – Payment Features with Negative Compensation;
- Amendments to IAS 40 – Transfer of Investment Property;
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement;
- IFRS 1 – First-time Adoption of International Financial Reporting Standards;
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures;
- Annual improvements to IFRSs 2015-2017 Cycle.

The Group continued the analysis started in 2016 of the potential impact that adoption of the new standards IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers, and IFRS 16 Leases could have on the balance sheet, financial position, income statement and information contained in the Group's financial statements and notes.

IFRS 15 was issued in May 2014 and introduced a new model for the recognition of revenue deriving from contracts with customers on the basis of the following five steps: (i) identification of the contract with the customer; (ii) identification of performance obligations to be transferred to the customer in exchange for the consideration (iii) identification of the contractual consideration (iv) allocation of the consideration to the individual performance obligations; (v) recognition of revenue when each performance obligation is satisfied.

IFRS 15 provides for the recognition of revenue for an amount that reflects the consideration to which the entity believes to be entitled in exchange for the transfer of goods or services to the customer. The new standard will replace all current requirements found in IFRS regarding the recognition of revenue and is effective for annual periods beginning on or after 1 January 2018. The Group will apply the new standard from the obligatory effective date, using the simplified method of application.

In 2016 and 2017, the Group carried out an assessment of the effects of IFRS 15. This analysis considered the clarifications issued by the IASB in April 2016. As part of the preliminary assessment of the accounting impact of adopting the new standards, we have identified the main revenue streams by analysing IMA S.p.A. and the subsidiaries of the Group:

- machines and contracts in progress;
- change parts;
- spare parts and other materials;
- technical assistance.

From the evaluations carried out, both in terms of quality and quantity, it emerged that the current method of accounting for the revenue stream is substantially consistent with the principles contained in the new standard; therefore, we do not expect any potentially significant impacts on the Group's assets and liabilities, results and financial position.

IFRS 16 was published in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the substance of transactions in the legal form of a lease.

IFRS 16 defines the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize all leases on the balance sheet on the basis of a single model similar to the one used to account for finance leases under IAS 17. The standard will come into force for financial years beginning on or after 1 January 2019. We are not planning to apply the new standards in advance. The Group has begun to carry out an analysis of the potential impact that adoption of the new standard could have on the balance sheet, financial position, income statement and information contained in the Group financial statements and notes. This preliminary assessment may be subject to amendments as a result of a more detailed analysis that is currently underway in 2018. Note that at 31 December 2017 the Group had the following commitments for a total of 148,014 thousand euros, as discussed in Note 31 Commitments:

- future minimum lease payments for non-cancellable operating leases totalling 3,227 thousand euros which mainly relate to cars, with 1,629 thousand euros falling due within one year and 1,598 thousand euros between 1 and 5 years;
- commitments to rent property for 144,787 thousand euros relating to industrial plants, warehouses and offices with 19,999 thousand euros falling due within one year, 69,017 thousand euros between 1 and 5 years and 55,771 thousand euros over 5 years.

Fees paid during the year for operating lease contracts and rentals were 515 thousand euros and 21,072 thousand euros respectively.

IFRS 9 was issued in its final version in July 2015 and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the project on accounting for financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. With the exception of hedge accounting, retrospective application of the standard is required, but it is not obligatory to provide comparative information. As regards hedge accounting, the standard generally applies prospectively, with some limited exceptions. Based on a preliminary assessment of a qualitative nature, we do not expect there to be any potentially significant impacts on the Group's assets and liabilities, results and financial position.

IFRS 2 was amended by the IASB in June 2016 with the aim of clarifying the accounting treatment of certain share-based payment transactions. These changes are applicable from 1 January 2018.

IFRIC 23, issued in June 2017 by the IASB and in force since 1 January 2018, provides indications on how to reflect in the accounting for income taxes the uncertainties regarding the tax treatment of a given situation.

The amendments to IAS 28, issued by the IASB in October 2017, with effect from 1 January 2019, have the purpose of clarifying how companies must use IFRS 9 to represent long-term interests in associates or joint ventures for which the equity method is not applied.

The amendments to IAS 19, issued by the IASB in February 2018, are intended to specify the way in which companies must determine pension costs when changes to a pension plan occur. IAS 19 "Employee Benefits" specifies how a company should account for a defined benefit pension plan. When a change is made to a plan – an adjustment, a reduction or a regulation – IAS 19 requires a company to re-measure the net asset or liability with defined benefits. The changes require a company to use the updated assumptions from this recalculation to determine the current servicing cost and the net interest for the remainder of the reference period after the plan has been changed. The changes will come into force from 1 January 2019.

D) FINANCIAL RISK MANAGEMENT

RISK FACTORS

The Group is exposed to various types of financial risk connected with its business activities, the following in particular:

- Credit risk arising from commercial transactions or financing activities;
- Liquidity risk related to the availability of financial resources and access to the credit market;
- Market risk, specifically:
  a) Exchange rate risk, relating to operations in areas using currencies other than the functional currency;
  b) Interest rate risk, relating to the Group's exposure to interest-bearing financial instruments;
  c) Price risk, associated with changes in the listed price of capital instruments held as financial assets and in commodity prices.

CREDIT RISK

The Credit Management unit is responsible for the operational management of these risks. It is centralized with the Administration, Finance and Control department and operates based on a credit policy that governs:

- the assessment of the customer's credit standing, taking into account the corporate and country credit rating when allowing extended payment terms, including positions backed by adequate bank or insurance guarantees;
- monitoring the related expected cash flows;
- appropriate payment solicitation actions;
- recovery actions.

Writedowns are made by percentage of past due positions, based on times series of insolvency, except for any writedowns of specific receivables. With respect to a breakdown of trade receivables by due date, reference should be made to Note 10.

Financing activities are primarily directed towards Group companies and thus are not considered to be at risk.

It should be noted that at 31 December 2017 the Group was not party to any sovereign debt positions with redemption risks.

Sureties and other non-bank guarantees are given mainly on behalf of wholly-owned subsidiaries to back loans and financing extended by banks or commitments to pay lease instalments.

In the case of financing activities linked to temporary excess liquidity or of the use of financial instruments (derivatives), the Group operates solely with counterparties with high credit standing.

The Group's maximum theoretical credit risk exposure at 31 December 2017 is represented by the carrying amount of the financial assets stated in the financial statements, and by the nominal value of the guarantees given as described in Note 30.

LIQUIDITY RISK

Current difficult conditions in the financial markets make it fundamentally important to maintain adequate liquidity available to meet Group requirements.

The two main factors that determine the Group's liquidity position are, on the one hand, the resources generated or absorbed by operating or investment activities, and on the other, the maturity and renewal characteristics of the debt or the liquidity of the financial instruments used and market conditions.

The treasury units of the individual companies are responsible for managing this risk, based on the guidelines set out by the finance department, under the coordination of the Parent Company's treasury unit.

The Group has adopted a series of policies and processes designed to optimise the management of financial resources, thus reducing liquidity risk. These include:

- maintaining an adequate level of available liquidity;
- obtaining sufficient lines of credit;
- monitoring forecast liquidity conditions in relation to the corporate planning process.

With regard to this type of risk, the Group tends to configure its net debt by financing investments with medium/long-term loans, while meeting current commitments out of the cash flow generated by operations and by using short-term lines of credit.

The following tables shows the composition and maturity of financial and trade payables and commitments:

in thousands of euros	Within 1 year	From 1 to 5 years	Over 5 years	Total
31.12.2017				
Borrowings	108,459	162,259	5,221	275,939
Commitments	31,079	70,956	55,771	157,806
Trade Payables	358,137	—	—	358,137
Total	**497,675**	**233,215**	**60,992**	**791,882**
31.12.2016				
Borrowings	93,538	210,758	10,428	314,724
Commitments	32,305	64,536	62,799	159,640
Trade Payables	327,801	414	—	328,215
Total	**453,644**	**275,708**	**73,227**	**802,579**

Further information on the composition of the above items is provided in Notes 15, 18 and 31.

At 31 December 2017 the Group had about 363 million euros available in unused lines of credit (374 million euros at 31 December 2016) and cash and cash equivalents of 207 million euros (201 million euros at 31 December 2016). As to the balancing of net working capital, especially the coverage of payables to suppliers, net trade receivables came to 325 million euros at 31 December 2017 (309 million euros at 31 December 2016).

Market risk

Exchange rate risk

The current business activities of companies of the Group whose functional currency is the euro, which actively operate in markets outside the euro area, are exposed to exchange rate risk, mainly with respect to sales in the US dollar area.

The Group's policy on exchange-rate risk provides for the use of forward contracts to hedge between 70% and 90% of future transactions denominated in foreign currencies, depending on whether they consist of budgeted flows of sales in foreign currencies or flows from the backlog acquired.

Changes in exchange rates between the date of invoicing and the date of receipt of funds are managed separately, without recourse to hedge accounting, by offset against similar payment flows.

Group investments in foreign subsidiaries are not hedged since the foreign currency positions are considered to be long term.

The following tables contains an analysis of the effects of exchange-rate risk:

in thousands of euros	Carrying value	Of which subject to ERR	Exchange rate risk (ERR) — Increase effect: Profits (Losses)	Increase effect: Other changes in FVR	Decrease effect: Profits (Losses)	Decrease effect: Other changes in FVR
Financial assets:						
Cash and cash equivalents	206,681	56,207	(1,125)	—	1,172	—
Trade and other receivables	389,332	93,007	(1,825)	—	1,587	—
Available for sale and financial receivables	22,915	—	—	—	—	—
Derivative financial instruments	173	173	—	62	—	44
Tax effect			708	(15)	(662)	(11)
			(2,242)	**47**	**2,097**	**33**
Financial liabilities:						
Borrowings	162,671	25,526	334	10	(348)	(11)
Bonds	113,268	35,735	—	—	—	—
Trade and other payables	671,005	109,130	2,169	—	(2,261)	—
Derivative financial instruments	2,151	22	—	(44)	—	(63)
Tax effect			(601)	8	626	18
			1,902	**(26)**	**(1,983)**	**(56)**
Total increases (decreases) for 2017(*)			**(340)**	**21**	**114**	**(23)**
Total increases (decreases) for 2016(**)			**217**	**442**	**(534)**	**(456)**

(*) 2017 variability parameters: +/-2% €/$, +/-2% €/£ and +/-2% €/CNY
(**) 2016 variability parameters: +/-2% €/$, +/-2% €/£ and +/-2% €/CNY

Further information on the composition of the above items is provided in Notes 5, 7, 10, 12, 15 and 18.

The variability parameters applied fall within the range of reasonably possible changes in the exchange rate, all other factors being equal.

The following tables show the breakdown by currency of trade and other receivables and payables at 31 December 2017 and 31 December 2016:

in thousands of euros	Net trade receivables	Advances, taxes and other receivables	Trade payables	Advances received	Tax, employee and other payables
Euro	245,247	46,780	331,992	131,405	126,371
US dollar	50,645	2,687	7,324	20,471	7,305
Swiss franc	13,352	1,593	5,399	5,747	4,796
Indian rupee	3,059	2,309	3,080	1,627	1,671
GB Pound sterling	1,524	177	1,663	22	1,111
Thai baht	3,540	2,580	925	4,571	305
Polish zloty	841	32	1,001	326	620
Chinese yuan	3,901	971	4,530	785	2,544
Japanese yen	674	134	250	111	135
Brazilian real	515	193	697	—	487
Russian ruble	259	79	329	560	515
Other	1,668	728	947	436	947
Total at 31 December 2017	**325,225**	**58,263**	**358,137**	**166,061**	**146,807**
Euro	216,287	32,649	297,974	130,920	93,082
US dollar	55,876	2,611	10,289	33,158	5,948
Swiss franc	19,348	1,434	5,458	1,353	10,676
Indian rupee	3,575	2,309	3,698	1,259	1,858
GB Pound sterling	3,336	678	959	2,152	1,782
Thai baht	1,111	3,073	270	608	331
Polish zloty	1,510	64	572	251	676
Chinese yuan	5,762	1,038	6,685	511	2,197
Japanese yen	462	21	407	255	133
Brazilian real	632	194	854	23	513
Russian ruble	304	245	7	171	295
Other	709	205	1,042	9	469
Total at 31 December 2016	**308,912**	**44,521**	**328,215**	**170,670**	**117,960**

Note that, at 31 December 2017, financial receivables and financial assets available for sale are mainly denominated in Euro.

Interest rate risk

In order to conduct its business, the Group raises financing from the market, borrowing primarily at floating interest rates, and is thus exposed to risks relating to rising interest rates.

The objective of interest rate risk management is to contain and stabilize the outflow of interest payments on mainly medium-term debt so as to achieve close correlation between the underlying and the hedging instrument.

Hedging, which is decided on a case-by-case basis, is arranged using derivative contracts, typically the purchase of caps and the sale of floors which, at a certain level, transform the floating rate into a fixed rate.

The following tables contains an analysis the effects of these risks:

			Interest rate risk (IRR)			
			+ 50 bp on € IRR		- 50 bp on € IRR	
			+ 50 bp on $ IRR		- 50 bp on $ IRR	
in thousands of euros	**Carrying value**	**Of which subject to IRR**	**Profits (Losses)**	**Other changes in FVR**	**Profits (Losses)**	**Other changes in FVR**
Financial assets:						
Cash and cash equivalents	206,681	37,285(**)	124	—	(6)	—
Trade and other receivables	389,332	—	—	—	—	—
Available for sale and financial receivables	22,915	2,934	16	—	(16)	—
Derivative financial instruments	173	—	—	—	—	—
Tax effect			(34)	—	5	—
			106	**—**	**(17)**	**—**
Financial liabilities:						
Borrowings	162,671	167,452(**)	(933)	—	933	—
Bonds	113,268	—	—	—	—	—
Trade and other payables	671,005	—	—	—	—	—
Derivative financial instruments	2,151	2,151	—	296	—	(332)
Tax effect			224	(71)	(224)	79
			(709)	**225**	**709**	**(253)**
Total increases (decreases) for 2017			**(603)**	**225**	**692**	**(253)**
Total increases (decreases) for 2016(*)			**(407)**	**(67)**	**566**	**(568)**

(*) 2016 variability parameters +/- 50 bp €/$
(**) Annual average.

Further information on the composition of the above items is provided in Notes 5, 7, 10, 12, 15 and 18.

The variability parameters applied fall within the range of reasonably possible changes in the interest rate, all other factors being equal. Exchange rate and interest rate risk management is carried out in line with the risk management policy approved by the Executive Committee of the Parent Company.

Price risk

At 31 December 2017 the Group is not exposed to price risk on investments in listed capital instruments classified in the financial statements as "available for sale". The Group is not exposed to significant price risk in relation to commodities.

CAPITAL RISK MANAGEMENT

The Group manages capital with the goal of supporting its core business and optimising value for shareholders by maintaining an appropriate capital structure and reducing its cost.

The Group monitors its capital with reference to the gearing ratio, which is the ratio between its net debt and its equity:

in thousands of euros	**2017**	**2016**
Net debt (A)	50,053	99,940
Equity (B)	390,524	270,184
Total capital (A)+(B)=(C)	440,577	370,124
Gearing ratio (A)/(C)	**11%**	**27%**

In relation with the change in net debt, please read Note 15.

FAIR VALUE

IFRS 13 establishes the following fair value hierarchy to be used when measuring the financial instruments shown in the balance sheet:

- Level 1: quoted prices in active markets;
- Level 2: inputs other than the quoted prices of Level 1 that are observable on the market, either directly (prices) or indirectly (derived from prices);
- Level 3: inputs that are not based on observable market data.

The following table shows the assets and liabilities measured at fair value at 31 December 2017 and 31 December 2016 by fair value hierarchy level:

in thousands of euros	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets available for sale	—	—	10,370	10,370
Derivative financial instruments	—	173	—	173
Total assets at 31 December 2017	**—**	**173**	**10,370**	**10,543**
Liabilities:				
Payables for acquisitions	—	—	34,269	34,269
Derivative financial instruments	—	2,151	—	2,151
Total liabilities at 31 December 2017	**—**	**2,151**	**34,269**	**36,420**

in thousands of euros	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets available for sale	—	14	6,512	6,526
Derivative financial instruments	—	218	—	218
Total assets at 31 December 2016	**—**	**232**	**6,512**	**6,744**
Liabilities:				
Payables for acquisitions	—	—	18,998	18,998
Derivative financial instruments	—	3,416	—	3,416
Total liabilities at 31 December 2016	**—**	**3,416**	**18,998**	**22,414**

Investments in other companies and investments in securities held as financial assets available for sale are measured at fair value and the related unrealized gains and losses are recognized as part of other comprehensive income, except as discussed in Note 5 in relation to Mint Street Holding S.p.A. (formerly InterMedia Holding S.p.A.).

During 2017, there were no transfers between the three levels of the fair value hierarchy laid down in IFRS 13. There have not been any significant changes in the commercial or economic circumstances which affect the fair value of financial assets and liabilities.

The following table shows the changes in level 3:

Information about the methods used to calculate fair value is provided in Note 5 on financial assets, in Note 15 on borrowings and Note 29 on payables for acquisitions, essentially represented by options for the purchase of the residual quotas of the Teknoweb and Medtech businesses and of the companies Telerobot S.p.A., IMA MAI S.A. and Eurosicma S.p.A.

E) CONSOLIDATION PRINCIPLES

Subsidiaries

Companies are subsidiaries when the Group is exposed or has the right to variable returns deriving from its relationship with the investee and, at the same time, is able to influence such returns by exercising its power over that entity. The general presumption is that the ability to exercise the majority of voting rights represents control. In support of this presumption and when the Group holds less than the majority of voting (or similar) rights, the Group considers all significant facts and circumstances in order to determine if it controls the investee, including contractual agreements with other holders of voting rights, rights deriving from contractual agreements and potential voting rights.

The financial statements of subsidiaries are consolidated on a line-by-line basis from the date on which control is acquired until the date such control ceases. Under IFRS 3, the subsidiaries acquired by the Group are accounted for using the purchase method, which establishes that:

- the consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair value of assets transferred and liabilities assumed by the Group at the date of acquisition and equity instruments issued in exchange for control of the acquiree. The charges relating to the transaction are recognized in the income statement when they are incurred;
- the excess of purchase cost over the fair value of net assets attributable to the Group is accounted for as goodwill;

in thousands of euros	Assets	Liabilities
Balance at 01.01.2016	4,471	32,314
Profits/ (losses) recognized in the income statement	—	69
Acquisition of Medtech business	—	7,449
Acquisition of Telerobot S.p.A.	45	2,625
Early exercise of the option purchase of 20% of Dairy&Food business	—	(22,959)
Increases/ (decreases)	1,996	(500)
Balance at 31.12.2016	**6,512**	**18,998**
Profits/ (losses) recognized in the income statement	(364)	159
Measurement at fair value recognized in OCI	226	—
Acquisition of MAI S.A.	—	2,481
Acquisition of Eurosicma S.p.A.	—	18,218
Acquisition of Mapster S.r.l.	11	—
Amounts paid as earn-out	—	(5,587)
Increases/ (decreases)	3,985	—
Balance at 31.12.2017	**10,370**	**34,269**

- should purchase cost be lower than the fair value of the subsidiary's net assets attributable to the Group, such difference is directly recognized in the income statement.

Minority (or "non-controlling") interests in equity and net profit are shown as separate items in the consolidated balance sheet and income statement, respectively.

If a subsidiary is not wholly owned, the minority interest in equity is determined with reference to its portion of the fair value of assets and liability at the time control was acquired, excluding any attributable goodwill (partial goodwill method). Alternatively, the entire amount of the goodwill generated by the acquisition is recognized, taking account of the portion attributable to the minority interest (full goodwill method); in this last case, the minority interest is stated at its total fair value, including the goodwill attributable to it. The choice of method for determining the amount of goodwill (partial goodwill method or full goodwill method) is decided on a case-by-case basis for each business combination.

Payables, receivables, costs and revenue between the companies included in the scope of consolidation, as well as the effects of all material transactions between them, have been eliminated on consolidation.

Specifically, unrealized gains with third parties deriving from transactions between Group companies have been eliminated, including those from the valuation of inventories at the reporting date.

Associated companies

An associate is a company over which the Group exercises significant influence. Significant influence means the power to participate in the determination of financial and operating policies, without exercising control or joint control.

Such influence is presumed to exist when the Group holds an interest of between 20% and 50% of voting rights. The consolidated financial statements include the share of the net profits and losses of associated companies, valued using the equity method, from the date on which significant influence begins until the date that it ends.

Profits and losses pertaining to the Group after the purchase of associates are recognized in the income statement.

Equity investments in associates are initially recorded at purchase cost. Any excess of purchase cost over the Group's proportional share of the fair value of the net assets acquired is included in the value of the investment.

Joint venture

A joint venture is a joint arrangement whereby the parties that exercise joint control have rights to the net assets of the arrangement. Joint control arises under a contractual agreement to share control over an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of all the parties sharing control.

Investments in joint ventures are recognized using the equity method.

F) SCOPE OF CONSOLIDATION

The consolidated financial statements at 31 December 2017 include the financial and operating information of I.M.A. Industria Macchine Automatiche S.p.A. (Parent Company) and of all the companies over which it exercises direct or indirect control.

A list of the companies included in the consolidation is provided in paragraph H of the Notes, with an indication of the consolidation method used.

The following are the main events that took place in 2017:

- on 4 January 2017 IMA SpA completed the closing for the purchase of a 70% stake in MAI S.A., based in Argentina, which manufactures and sells machines for the packaging of tea and herbal teas in filter bags. IMA has also been granted an option to buy 100%, which can be exercised in April 2021;
- on 20 April 2017, IMA, through its subsidiary GIMA S.p.A., completed the acquisition of 80% of Mapster S.r.l. This company, which is based in Parma, is an important player in the design, manufacture and marketing of automatic machines for the filling and packaging of single-serve coffee capsules;
- on 25 July 2017, IMA reached closing for the purchase of 60% of Eurosicma S.p.A., based in Milan, which manufactures and markets automatic machines and systems for horizontal flowpack and fold packaging for the food, cosmetics and pharmaceutical industries. IMA has signed put and call options for the other 40%, to be exercised by April 2027.

See Note 29 "Business combinations" for further information.

It should be noted that on 28 June 2017, GIMA TT S.p.A., a 70% subsidiary of the Parent Company, submitted to Borsa Italiana S.p.A. a request for issuance of an opinion on its eligibility for listing of its shares on the MTA, pursuant to the Regulation of the markets organised and run by Borsa Italiana S.p.A.; together with IMA, it filed a request to the National Commission for Companies and the Stock Exchange for approval of its Registration Document, drawn up pursuant to art. 113 of Legislative Decree no. 58 of 24 February 1998 and art. 52 of the Regulation adopted by Consob with resolution no. 11971 of 14 May 1999. On 15 September 2017, GIMA TT S.p.A. received Consob's approval of the Prospectus for admission to trading of the ordinary shares of GIMA TT S.p.A. on the STAR segment of the Mercato Telematico Azionario (MTA or screen-traded equities market). Consob's approval follows the measure of 14 September 2017 by which Borsa Italiana S.p.A. approved the admission to listing of the shares on the MTA.

The offering, which was addressed exclusively to institutional investors ("Institutional Placement") with a view to admission to trading of GIMA TT S.p.A.'s shares on the STAR segment of the MTA, was concluded successfully with the allocation of the maximum number of shares foreseen, i.e. 33,880,000, equal to 38.5% of the company's share capital.

Trading in its shares began on the STAR segment of the MTA on 2 October 2017. The offering price of the shares was set at Euro 12.5 per share and on this basis GIMA TT S.p.A. was capitalised at 1,100 million euros.

The total gross proceeds from IMA S.p.A.'s exclusive Institutional Placement amounted to approximately 109,085 thousand euros.

At the end of these operations, IMA S.p.A.'s holding in the share capital of GIMA TT S.p.A. has decreased from 70% to 60.084%. See Note 14 for further information.

G) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The changes reported below have been calculated on figures at 31 December 2016 for balance sheet items and on figures for the year 2016 for income statement items.

1. Segment information

Operating segments have been identified based on the internal reports used by senior management to allocate resources and evaluate the results of each business.

From 30 June 2017, the Group decided to modify its segment information to highlight the Tobacco packaging segment, which was previously included in Tea, Food & Other. This decision derives from the fact that the Tobacco segment has achieved much greater importance and an independent organisational structure. In accordance with IFRS 8 Operating Segments, the information on prior periods has been appropriately restated to ensure full comparability.

The Group's activities comprise the following operating segments:

<u>Tea, Food & Other segment</u>

It produces machines for the packaging of tea and herbal teas in filter bags and the packaging of coffee in pods for the food & beverage sector, for the personal care sector, for end-of-line equipment, for the dairy sector and for stock cubes and for primary packaging in the food sector with the use of flexible material (horizontal and vertical flow packs) for assembling medical products plus related services.

Operations in this sector are mainly carried out by these companies:

- IMA S.p.A. manufactures:
    - machines for the packaging of tea and herbs in filter bags and the packaging of coffee in pods, through the Tea & Herbs Division;
    - end-of-line machines through the BFB Division;
- Corazza S.p.A. produces machines and plant for the dosing and packaging of cheese portions and stock cubes;
- Eurosicma S.p.A. and Eurotekna S.r.l. manufacture machines and systems for horizontal flowpack and fold packaging for the food and cosmetics industries;
- Hassia Verpackungsmaschinen GmbH, GASTI Verpackungsmaschinen GmbH, Benhil GmbH, Hassia Packaging Pvt. Ltd., Hamba Filltec GmbH & Co. KG, Erca S.A. and Erca-Formseal Ibérica S.A. produce machines for forming, filling and sealing, for containers and sticks, for ultraclean closure and wrappers;
- GIMA S.p.A. produces machines for the coffee, food & beverage and personal care sectors;

- Ilapak International SA, Ilapak Italia S.p.A., Ilapak (Beijing) Packaging Machinery and Delta Systems & Automation Inc. produce automated machines and lines for flexible food and non-food packaging, using horizontal and vertical packaging technologies;
- IMA MAI S.A. manufactures machines for the packaging of tea and herbal teas in filter bags;
- IMA Medtech Switzerland SA, IMA Automation USA Inc. and IMA Automation Malaysia Sdn. Bhd. manufacture machines for assembling medical products for self-medication, such as inhalers, insulin syringes and injection systems;
- Mapster S.r.l. manufactures automatic machines for the filling and packaging of single-serve coffee capsules;
- Revisioni Industriali S.r.l. refurbishes second-hand machines for processed cheese and tea and herbs in filter bags;
- Teknoweb Converting S.r.l. produces machines for the production of wet wipes (converting sector);
- Telerobot SpA manufactures machinery for the assembly of plastic materials in the caps and closures sector.

Pharmaceutical

Machines for the packaging of pharmaceutical capsules and tablets in blisters and bottles, machines for filling bottles and vials with liquid and powdered products in sterile and non-sterile environments, machines for freeze-drying, tube-filling and cartoning, systems for the production of tablets and capsules and for coating and granulation, as well as related services. Operations in this sector are mainly carried out by these companies:

- IMA S.p.A. manufactures:
  - blister-pack machines, machines for the packaging of gelcaps, capsules and tablets and cartoning machines through IMA Safe division;
  - machines for the filling of flacons and vials with liquid products and powders under sterile and non-sterile conditions and freeze-drying systems through IMA Life division;
  - tablet pressing machines, capsule filling machines, coating and granulating machines, machines for the movement of powders and depowdering of tablets through the IMA Active division;
- CO.MA.DI.S. S.p.A. manufactures tube-filling machines for the pharmaceuticals, cosmetics, chemicals and food industries;
- G.S. Coating Technologies S.r.l. manufactures coating machines;
- IMA Life The Netherlands B.V., IMA Life North America Inc. and IMA Life (Beijing) Pharmaceutical Systems Co. Ltd. manufacture freeze-drying plants for the pharmaceutical industry;
- IMA-PG India Pvt Ltd. operates in the production of blister and cartoning machines, mainly for the emerging nations;
- IMA Swiftpack Ltd. and IMA North America Inc. manufacture machines for the bottling of capsules and tablets for the pharmaceutical industry;
- Pharmasiena Service S.r.l. produces filling systems for phials and syringes under sterile conditions;
- Shanghai Tianyan Pharmaceutical Machinery Co. Ltd. produces filling systems under sterile conditions.

Tobacco packaging

It designs, manufactures and markets machines and plants for tobacco packaging and related services. Activities in this sector are carried out by GIMA TT S.p.A.

ANALYSIS BY BUSINESS SEGMENT

Information by business segment for 2017 and 2016 is shown below:

in thousands of euros	2017				
	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Not allocated (*)	Total
Revenue	727,094	565,875	151,761	—	1,444,730
Segment operating profit	20,071	83,914	61,233	—	165,218
Net financial income (expense) (**)					(15,915)
Profit (loss) from investments accounted for using the equity method	522	789	—	(30)	1,281
Profit before taxes					150,584
Taxes					(51,159)
Profit for the year					99,425

in thousands of euros	2016				
	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Not allocated (*)	Total
Revenue	658,766	551,686	100,394	—	1,310,846
Segment operating profit	28,322	73,367	39,652	—	141,341
Net financial income (expense) (**)					6,286
Profit (loss) from investments accounted for using the equity method	—	1,576	—	(50)	1,526
Profit before taxes					149,153
Taxes					(47,761)
Profit for the year					101,392

(*) Not allocated amount relate to investments not directly attributable to the operating sectors.
(**) Financial income and expense have not been allocated to the individual operating segments as it is not possible to indicate specific amounts for each segment; this breakdown is not used in internal reporting.

The following table gives a breakdown of revenue by business segment, with changes in revenues over the corresponding period of 2016:

in thousands of euros	2017	2016	Change
Tea, Food & Other	727,094	658,766	68,328
Pharmaceutical	565,875	551,686	14,189
Tobacco packaging	151,761	100,394	51,367
Total	**1,444,730**	**1,310,846**	**133,884**

Consolidated revenue in 2017 amounted to 1,444,730 thousand euros, an overall increase of 10.2%, of which 8.3% due to the organic growth, with respect to the previous year.

Revenue by segment is discussed below:

- the Tea, Food & Other sector recorded a 10.4% increase in revenue over the previous year, thanks to the contribution of the Maisa, Mapster and Eurosicma businesses (25,322 thousand euros) generally confirming the strong leadership position held by the Group in these niche markets;
- the Pharmaceutical sector shows an increase in revenue of 2.6%;
- the Tobacco sector is showing strong growth (+51.2%) compared with the previous year, confirming the success of the product.

No one third-party customer represents 10% or more of consolidated revenue.

The following table shows operating profit by segment:

in thousands of euros	2017	2016	Change
Tea, Food & Other	20,071	28,322	(8,251)
Pharmaceutical	83,914	73,367	10,547
Tobacco packaging	61,233	39,652	21,581
Total	**165,218**	**141,341**	**23,877**

The operating profit of the Tea, Food & Other sector amounted to 20,071 thousand euros (2.8% of revenue) compared with 28,322 thousand euros in 2016 (4.3% of revenue), after having deducted non-recurring charges of 11,986 thousand euro (5,477 thousand euros the previous year).

The Pharmaceutical sector has seen a sharp increase over the previous year as a result of higher profitability of contracts due to an improved sales margins of certain products that have achieved the expected levels of profitability.

The operating profit of the Tobacco sector has grown considerably (+56.5%) compared with the previous year, mainly due to the increase in sales volumes.

The tables below provide other income statement information regarding Group operations by sector for 2017 and 2016:

	2017			
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Amortization, depreciation, impairment and writedowns	30,497	11,086	466	42,049
Other non-monetary costs (revenues)	2,447	2,663	1,562	6,672

	2016			
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Amortization, depreciation, impairment and writedowns	27,202	10,144	469	37,815
Other non-monetary costs (revenues)	4,454	7,013	793	12,260

Capital expenditure by operating segment are as follows:

in thousands of euros	2017	2016
Tea, Food & Other	62,098	43,015
Pharmaceutical	17,857	13,760
Tobacco packaging	3,140	492
Total	**83,095**	**57,267**

As regards the allocation of the goodwill recognized in 2017 in connection with the Maisa, Mapster and Eurosicma businesses for 41,827 thousand euros, attributable to the Tea, Food & Other sector, see Note 3.

Balance sheet information at 31 December 2017 is shown below:

in thousands of euros	31 December 2017 Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Not allocated (*)	Total
Segment operating assets	700,964	389,590	69,331	—	1,159,885
Investments accounted for using the equity method	17,730	11,936	—	10,659	40,325
Financial assets	—	2,438	—	20,477	22,915
Deferred tax assets					67,879
Income tax receivables					9,396
Cash and cash equivalents					206,681
Total assets					1,507,081

in thousands of euros	31 December 2017 Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Not allocated (*)	Total
Segment operating liabilities	378,518	320,078	66,759	—	765,355
Borrowings					275,939
Deferred tax liabilities					61,528
Income tax liabilities and other provision for risks					13,735
Total liabilities					1,116,557

Balance sheet information at 31 December 2016 is shown below:

in thousands of euros	31 December 2016 Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Not allocated (*)	Total
Segment operating assets	625,501	388,888	48,341	—	1,062,730
Investments accounted for using the equity method	2,022	11,887	—	9,105	23,014
Financial assets	—	1,500	—	15,205	16,705
Deferred tax assets					64,916
Income tax receivables					7,985
Cash and cash equivalents					201,081
Total assets					1,376,431

in thousands of euros	31 December 2016 Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Not allocated (*)	Total
Segment operating liabilities	353,414	299,085	61,356	—	713,855
Borrowings					314,724
Deferred tax liabilities					62,135
Income tax liabilities and other provisions for risks					15,533
Total liabilities					1,106,247

Analysis by geographical area

The revenue of the IMA Group is analyzed below by geographical area:

in thousands of euros	2017	2016	Change
European Union (excluding Italy)	449,563	395,450	54,113
Other European countries	118,812	97,328	21,484
North America	247,003	218,690	28,313
Asia & Middle East	312,300	294,646	17,654
Other countries	151,818	128,633	23,185
Total exports	**1,279,496**	**1,134,747**	**144,749**
Italy	165,234	176,099	(10,865)
Total	**1,444,730**	**1,310,846**	**133,884**

Revenue is allocated according to the geographical area of the invoiced customer. The changes in the breakdown of revenue by geographical area are discussed below:

- revenue from European Union countries, excluding Italy, is growing in Germany, United Kingdom, Romania, Poland, and Spain;
- sales in other European countries are increasing compared with the previous year, especially in Russia and Switzerland;
- North America is growing significantly in a context essentially without significant local competition;
- Asia & Middle East grew by 6% overall, confirming the importance of this market that always generates more than 20% of the Group's sales, confirming past trends. The progress in local economies is generating an improvement in production standards closer to those of the West and as a consequence a demand for machinery more in line with what we can offer. In particular, there has been growth in Turkey, Indonesia and Vietnam;
- revenue from other countries reflects a variety of trends with growth in Algeria, Argentina, Colombia and South Africa;
- the fall in Italy was solely due to the lower number of projects with respect to the prior year. These fluctuations recur annually since revenue depends on the level of investment projects of the pharmaceutical companies, which is inevitably unstable in a small market like Italy.

Non-current assets other than unallocated financial instruments and deferred tax assets of the IMA Group analyzed by geographical area are as follows:

in thousands of euros	31.12.2017	31.12.2016
Italy	253,688	194,946
European Union (excluding Italy)	141,101	147,694
Other European countries	41,011	44,847
North America	35,664	35,604
Asia & Middle East	24,923	26,685
Other countries	8,335	422
Total	**504,722**	**450,198**

Operations are allocated to the geographical areas in which they are located.

Revenue by business category

Lastly, the IMA Group's revenue is analyzed by business category as follows:

in thousands of euros	2017	2016	Change
Machines and change parts	403,522	407,439	(3,917)
Construction contracts	696,930	583,751	113,179
Spare parts and other materials	206,516	202,921	3,595
Technical assistance	115,499	97,276	18,223
Other services	22,263	19,459	2,804
Total	**1,444,730**	**1,310,846**	**133,884**

2. Property, plant and equipment

The changes during the year were as follows:

in thousands of euros	Land	Buildings and leasehold improv.	Plant and machinery	Industrial & comm. equipment	Other assets	Assets under construction and advances	Total
Balances at 01.01.16							
Gross amount	11,109	60,551	52,902	29,287	37,507	2,635	193,991
Accumulated depreciation and write-downs	(18)	(24,694)	(39,354)	(24,501)	(29,926)	—	(118,493)
Balances at 01.01.16	**11,091**	**35,857**	**13,548**	**4,786**	**7,581**	**2,635**	**75,498**
Additions	548	4,650	2,069	2,171	3,591	7,264	20,293
Sales and eliminations	—	(2)	(220)	(25)	(101)	—	(348)
Change in scope of consolidation	—	2,114	592	35	541	232	3,514
Depreciation	—	(4,146)	(3,132)	(1,828)	(2,581)	—	(11,687)
Reclassifications and other changes	1,468	(5)	1,271	289	1	(2,435)	589
Exchange rate difference	(41)	61	—	27	84	185	316
Balances at 31.12.16	**13,066**	**38,529**	**14,128**	**5,455**	**9,116**	**7,881**	**88,175**
Balances at 01.01.17							
Gross amount	13,086	68,760	56,920	31,902	41,661	7,881	220,210
Accumulated depreciation and write-downs	(20)	(30,231)	(42,792)	(26,447)	(32,545)	—	(132,035)
Balances at 01.01.17	**13,066**	**38,529**	**14,128**	**5,455**	**9,116**	**7,881**	**88,175**
Additions	83	6,641	4,172	2,090	5,406	2,742	21,134
Sales and eliminations	(782)	(341)	(266)	(21)	(69)	—	(1,479)
Change in scope of consolidation	31	231	1,470	42	196	—	1,970
Depreciation	—	(4,550)	(3,509)	(2,027)	(3,066)	—	(13,152)
Reclassifications and other changes	—	6,153	1,801	274	(177)	(7,002)	1,049
Exchange rate difference	(324)	(984)	(622)	(88)	(221)	(366)	(2,605)
Balances at 31.12.17	**12,074**	**45,679**	**17,174**	**5,725**	**11,185**	**3,255**	**95,092**
Gross amount	12,094	80,136	62,730	35,124	42,879	3,255	236,218
Accumulated depreciation and write-downs	(20)	(34,457)	(45,556)	(29,399)	(31,694)	—	(141,126)
Balances at 31.12.17	**12,074**	**45,679**	**17,174**	**5,725**	**11,185**	**3,255**	**95,092**

Land and buildings refer to the following Group companies:

in thousands of euros	Land		Buildings	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
IMA S.p.A.	1,757	1,674	1,588	1,638
Delta Systems & Automation Inc.	1,153	1,312	4,980	—
Erca S.A.	2,000	2,000	1,937	2,108
GIMA S.p.A.	573	573	1,068	1,114
Hassia Packaging Pvt. Ltd.	45	48	641	720
Hassia Verpackungsmaschinen GmbH	111	111	838	889
Ilapak Inc.	158	180	957	1,163
Ilapak Italia S.p.A.	450	450	1,738	1,808
Ilapak Ltd.	—	800	—	339
Ilapak Sp. Z o.o.	459	434	929	908
Ilapak Verpackungsmachinen GmbH	115	115	512	527
IMA France Eurl	183	183	393	412
IMA-PG India Pvt. Ltd.	2,062	2,209	1,379	1,545
Società del Sole S.r.l.	2,977	2,977	—	—
Other	31	—	215	16
Total	**12,074**	**13,066**	**17,175**	**13,187**

Leasehold improvements totalled 28,504 thousand euros (25,342 thousand euros at 31 December 2016).

The increases in buildings and leasehold improvements mainly relate to the costs incurred to expand and improve buildings leased by the Parent Company, 4,452 thousand euros (3,228 thousand euros in 2016), and for the completion of a production site in Arkansas (USA) by Delta Systems & Automation Inc. for 647 thousand euros.

The other increases principally relate to the purchase of plant, machinery and electronic machines.

Disposals during the year included the sale by Ilapak Ltd. of the building in Hayes (UK). This transaction generated a gain of 969 thousand GB pounds sterling.

The change in the scope of consolidation reflects the acquisition of MAI S.A. and of Eurosicma S.p.A., Eurotekna S.r.l. and O.A.SYS. S.r.l., as discussed in Note 29.

The reclassifications and other changes essentially reflect the completion of the above mentioned building in Arkansas (USA).

“Other assets” comprise:

in thousands of euros	31.12.2017	31.12.2016
Electronic office machines	5,821	3,708
Office furniture and fittings	2,956	3,038
Vehicles	1,842	1,715
Other	566	655
Total	**11,185**	**9,116**

The net book value of assets under finance lease is broken down by category as follows:

in thousands of euros	31.12.2017	31.12.2016
Land	335	317
Buildings	935	918
Industrial and commercial equipments	1	19
Other	537	461
Total	**1,808**	**1,715**

At 31 December 2017 leased assets essentially relate to the contract for the factory in Krakow (Poland) used by Ilapak Sp. Z o.o.; this contract was signed with BZ WBK Finanse & Leasing S.A. in 2009 and expires in February 2019.

See Note 15 for information on future minimum payments.

Financial charges directly attributable to property, plant and equipment are generally recognized in the income statement because the Group does not have any assets that normally take a substantial period of time to make ready for use.

There are no restrictions on ownership or tangible assets pledged as security for liabilities. There are no internal or external elements to suggest that assets have suffered an impairment in value.

3. Intangible assets

The changes during the year break down as follows:

in thousands of euros	Development costs	Industrial patent rights	Software licences, trademarks and similar	Goodwill	Assets under dev. and advances	Total
Balances at 01.01.16						
Gross amount	178,112	21,676	125,773	135,605	10,834	472,000
Accumulated amortization and write-downs	(77,800)	(16,970)	(55,787)	—	—	(150,557)
Balances at 01.01.16	**100,312**	**4,706**	**69,986**	**135,605**	**10,834**	**321,443**
Additions	5,041	2,326	3,083	—	5,056	15,506
Sales and eliminations	—	(108)	(3)	—	—	(111)
Changes in scope of consolidation	376	178	377	—	—	931
Acquisition of business divisions/ companies	4,225	—	—	17,243	—	21,468
Amortization	(16,535)	(1,513)	(8,080)	—	—	(26,128)
Reclassifications and other changes	7,144	—	—	(300)	(7,144)	(300)
Exchange rate difference	(1)	4	9	(46)	(2)	(36)
Balances at 31.12.16	**100,562**	**5,593**	**65,372**	**152,502**	**8,744**	**332,773**
Balances at 01.01.17						
Gross amount	196,064	23,987	130,431	152,502	8,744	511,728
Accumulated amortization and write-downs	(95,502)	(18,394)	(65,059)	—	—	(178,955)
Balances at 01.01.17	**100,562**	**5,593**	**65,372**	**152,502**	**8,744**	**332,773**
Additions	3,605	1,703	5,387	—	9,439	20,134
Sales and eliminations	—	(113)	(1)	—	—	(114)
Changes in scope of consolidation	196	66	36	—	—	298
Acquisition of business divisions/ companies	—	—	—	41,827	—	41,827
Amortization	(17,001)	(1,634)	(8,251)	—	—	(26,886)
Write-downs/Impairment	—	(34)	—	—	(2,904)	(2,938)
Reclassifications and other changes	2,598	—	2	(1,710)	(2,600)	(1,710)
Exchange rate difference	(15)	(34)	(101)	(980)	(92)	(1,222)
Balances at 31.12.17	**89,945**	**5,547**	**62,444**	**191,639**	**12,587**	**362,162**
Gross amount	202,060	25,287	134,680	191,639	12,587	566,253
Accumulated amortization and write-downs	(112,115)	(19,740)	(72,236)	—	—	(204,091)
Balances at 31.12.17	**89,945**	**5,547**	**62,444**	**191,639**	**12,587**	**362,162**

Development costs include the costs incurred for unpatented technology, the useful life of which has been estimated to be between 5 and 10 years and is attributable to the following acquisitions:

- the Medtech business, acquired in 2016, 2,746 thousand euros;
- the Dairy&Food business acquired in 2015, 39,521 thousand euros;
- DOSA S.r.l. and G.S. Coating Technologies S.r.l. businesses, purchased in 2014, for 273 thousand euros and 1,150 thousand euros respectively;
- Ilapak Group, which took place in 2013, for 9,371 thousand euros;
- Dairy&Convenience Food business of the Corazza Group, occurred in 2011, for 5,487 thousand euros.

In addition, this caption includes costs of 13,267 thousand euros incurred by the Parent Company on projects related to the Pharmaceutical sector and of 2,452 thousand euros on the development for the Tea sector.

As also mentioned in the report on operations, research and development costs that do not meet the requirements for capitalization were charged to profit and loss for an amount of 53,995 thousand euros (48,147 thousand euros in the previous period).

Industrial patents and intellectual property rights include costs incurred for the acquisition of rights deriving from applications for industrial patents, stated net of related amortisation. The increase is primarily due to the expenses incurred for the extension and maintenance of patents in other countries.

Software, licences, trademarks and other rights primarily include operating and technical software applications and intangible assets linked to the "customer list" of 24,029 thousand euros, 6,422 thousand euros and 4,838 thousand euros respectively. They arose on the acquisition of the Dairy&Food business, the Ilapak Group and the Corazza Group. This caption also includes trademarks totalling 16,937 thousand euros that relate to the Dairy&Food business.

The increases during the year principally related to acquisition by the Parent Company of software and licenses relating to the commercial, marketing, administrative, logistics and technical areas.

Goodwill comprises the following:

in thousands of euros	31.12.2017	31.12.2016
Tea, Food & Other:		
CGU B.F.B. S.p.A.	1,788	1,788
CGU Eurosicma	31,561	n.a.
CGU GIMA S.p.A.	1,658	1,658
CGU Corazza Group	18,863	18,863
CGU Dairy&Food Group	24,717	24,717
CGU Ilapak Group	4,117	4,117
CGU Teknoweb Group	13,281	13,281
CGU MAI S.A.	7,432	n.a.
CGU Mapster S.r.l.	2,834	n.a.
CGU Medtech	9,871	11,581
CGU Naturapack S.r.l.	8,723	8,723
CGU TEAMAC	749	749
CGU Telerobot S.p.A.	4,913	4,913
	130,507	**90,390**
Pharmaceutical:		
CGU CO.MA.DI.S. S.p.A.	3,782	3,782
CGU DOSA S.r.l.	840	840
CGU G.S. S.r.l. Coating System	7,402	7,402
CGU G.S. Coating Technologies S.r.l.	597	597
CGU Edwards Group	23,079	23,079
CGU Nova Group	13,391	14,290
CGU ICO OLEODINAMICI S.p.A.	1,567	1,567
CGU MKCS Inc.	581	662
CGU Pharmasiena Service S.r.l.	2,073	2,073
CGU Precision Gears Ltd.	4,027	4,027
CGU Shanghai Tianyan	854	854
CGU Zanchetta S.r.l.	2,939	2,939
	61,132	**62,112**
Total	**191,639**	**152,502**

The goodwill recognized on acquisitions of MAI S.A., Mapster S.r.l. and Eurosicma is discussed in Note 29.

The reduction in the value of the Medtech CGU goodwill of 1,710 thousand euros refers to the definition of the consideration paid as earn-out and which took place during the valuation period of 12 months as established by IFRS 3.

As mentioned in the section on “Accounting Policies”, goodwill, which is an intangible asset with an indefinite useful life, is tested for impairment.

The main assumptions, methods and parameters used in impairment testing are set out below.

The goodwill paid when acquiring companies, firms or business divisions is allocated to the cash generating units (CGUs) of the Group as represented by the individual companies or sub-groups to which they relate. Even if such companies had merged into the acquiring company after the acquisition and had thus lost their legal status, the Group organization into divisions makes it possible to identify the assets and the cash flows of said CGUs, and to check whether allocated goodwill is recoverable through the impairment test. The recoverable value of the CGUs to which goodwill is allocated is tested by determining their value in use, as represented by the present value of expected cash flows discounted using a rate that reflects the risks specific to each CGU at the measurement date.

The formulas used to test impairment and to calculate the terminal value are as follows:

$$V = \frac{\sum_{i=1}^{n} FCF_i}{(1+WACC)_i} + TV$$

$$TV = \frac{FCF_n * (1+g)}{WACC - g}$$

FCF = Free Cash Flow, or cash flow generated by operations
WACC = Weighted Average Cost of Capital
N = Number of years in the discount period
TV = present value of the Terminal Value, i.e. the value of the cash flows generated after the end of the discount period
FCFn = Free Cash Flow sustainable after the end of the discount period
g = Growth rate of the business beyond the assumed period of the plan

Management has assumed an explicit forecast period of 3 years. At the end of the explicit forecast period (2020), a "normalized flow" is also calculated in order to estimate the terminal value.

The CGU's weighted average cost of capital (WACC) is used as the discounting rate, as determined from a detailed analysis of the capital structure of each CGU. The Capital Asset Pricing Model is used. This mathematical model determines the rate by summing the returns from a risk-free asset with the market risk premium. In turn, the market risk premium is found by multiplying the market average risk by the beta for the specific sector. The principal assumptions underlying the application of this method involved estimating the future increases in sales, the gross margin, operating costs, the rate of growth of terminal values, capital investment, operating capital and the weighted-average cost of capital (discount rate). The cash flows are estimated on the basis of the 2018 budget (approved by the Board of Directors on 14 March 2018) and the 2019-2020 business plan (discussed at the Board meeting); they are then discounted at rates that reflect current market valuations of the cost of capital taking account of the specific risk profile of each CGU.

The growth rate *g* used is zero for the sake of prudence. This means that any sensitivity analysis, designed to measure the change in results on a change in the assumptions used for the growth rate, including changes in the other parameters contributing to formation of the WACC, would result in better impairment results. In any case, management has verified the reasonableness of its assumptions and the outcome of the impairment test by analysing its sensitivity to the growth rate, with positive results.

The table shows the detailed growth assumptions used in the forecasts and the discount rates applied in the impairment procedures:

	Goodwill	Average weighted cost of capital employed WACC %	CAGR 2018-2020 Sales %
CGU G.S. S.r.l. Coating System	7,402	6.37	4.00
CGU ICO OLEODINAMICI S.p.A.	1,567	6.37	4.00
CGU CO.MA.DI.S. S.p.A.	3,782	6.37	2.00
CGU Nova Group	13,391	6.66	4.40
CGU Precision Gears Ltd.	4,027	8.54	6.00
CGU Zanchetta S.r.l.	2,939	6.37	4.00
CGU Edwards Group	23,079	6.62	0.50
CGU Naturapack S.r.l.	8,723	6.37	5.00
CGU GIMA S.p.A.	1,658	6.37	3.00
CGU Pharmasiena Service S.r.l.	2,073	6.37	6.00
CGU Corazza Group	18,863	6.37	2.00
CGU Ilapak Group	4,117	6.40	2.00
CGU Dairy&Food Group	24,717	4.84	6.00
CGU Teknoweb Group	13,281	6.37	2.00
CGU Medtech	9,871	6.47	2.00
CGU Telerobot S.p.A.	4,913	6.37	2.00
CGU Eurosicma	31,561	6.37	2.00
CGU MAI S.A.	7,432	12.21	3.00
CGU Mapster S.r.l.	2,834	6.37	2.00

Management has formalised separate impairment tests, indicating:

- the object and reasons for the Group's acquisition;
- identification of the intangibles and their allocation to the CGU;
- the business plan of the CGU;
- the definition of recoverable value.

The assumptions used in calculating the impairment included in the business plan of each CGU and the results achieved have been approved by the Board of Directors of IMA S.p.A., independently and prior to these financial statements.

The impairment tests of goodwill conducted in accordance with IAS 36 did not lead to any writedowns.

In addition, during prior years, the amounts of goodwill of the Nova Group, Zanchetta and ICO OLEODINAMICI CGUs were written down by 757 thousand euros, 2,500 thousand euros and 1,500 thousand euros, respectively.

Assets under development and advances mainly relate to the capitalization of development costs incurred by the Parent Company (6,424 thousand euros), IMA Automation USA Inc. (1,435 thousand euros) and GIMA TT S.p.A. (1,850 thousand euros) and concern new products that were not previously available and are targeted at new market segments. The item write-downs/impairment mainly refers to two projects attributable to the Parent Company for 1,040 thousand euros and to Ilapak Italia SpA for 1,802 thousand euros, offset by the sinking-fund grant of 927 thousand euros. Other construction in progress has been checked and no further adjustments have emerged.

4. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Below is a breakdown:

in thousands of euros	31.12.2017	31.12.2016
Associates:		
Amherst Stainless Fabrication LLC	317	354
Atopbi S.p.A.	15,761	n.a.
B.C. S.r.l.	2,706	2,385
Bacciottini F.lli S.r.l.	751	633
Bolognesi S.r.l.	1,064	1,026
Brio Pharma Technologies Pvt. Ltd.	—	453
Doo Officina-Game East Vrsac	340	342
I.E.M.A. S.r.l.	1,239	1,015
Inkbit LLC	2,274	n.a.
LA.CO. S.r.l.	525	459
Logimatic S.r.l.	775	709
Meccanica Sarti S.r.l.	1,214	1,213
MORC 2 S.r.l.	1,606	1,512
Petroncini Impianti S.p.A.	1,969	2,022
Plasticenter S.r.l.	n.a.	550
Powertransmission.it S.r.l.	174	146
SIL.MAC. S.r.l.	821	783
STA.MA. S.r.l.	119	100
Talea S.r.l.	211	200
Sirio S.p.A. Associazione in partecipazione	3,948	4,598
Other investments	289	227
	36,103	**18,727**
Joint venture:		
CMRE S.r.l.	4,222	4,287
	4,222	**4,287**
Total	**40,325**	**23,014**

During the first half of the year, IMA, in partnership with the Charme III private equity fund, which will act as the controlling shareholder, acquired a minority stake in Atop S.p.A. The company is one of the world's leading manufacturers of innovative machines and automatic lines for manufacturing electric motors and rotors, and operates in the electric traction sectors for sustainable mobility as well as in the automotive sector, household appliances and power tools. Through a vehicle company controlled by the fund, IMA and Charme III acquired an 84% indirect stake in Atop S.p.A., while Atop's founding partners will continue to hold 16% of the capital. The transaction involves an investment of 15,761 thousand euros by IMA for a 25% stake in Atopbi S.p.A., the SPV controlled by Charme III.

In December 2017, the Parent Company acquired 20% of Inkbit LLC, a US start-up that specialises in industrial systems, software design and materials science, for 2,500 thousand US dollars.

Trade payables to associates reflects the Group's constant commitment in pursuing close collaboration with those suppliers that play a key role in production, also by considering the possibility of becoming shareholders in their companies.

Brief information about transactions with associates is given below:

- Amherst Stainless Fabrication LLC operates in the field of mechanical engineering and industrial assembly;
- B.C. S.r.l. manufactures machine parts for the Group and third parties;
- Bacciottini F.lli S.r.l. processes sheet metal for pharmaceutical machinery;
- Bolognesi S.r.l. operates in the field of mechanical engineering and industrial assembly;

- Doo Officina-Game East Vrsa operates in the field of mechanical engineering, specialising in the construction of machines for third parties;
- I.E.M.A. S.r.l. designs and produces equipment for automated machinery;
- LA.CO. S.r.l. manufactures mechanical constructions and repairs machine tools;
- Logimatic S.r.l. operates in the marketing, distribution and testing of automatic machines;
- Meccanica Sarti S.r.l. is active in the construction of mechanical components for machinery;
- MORC 2 S.r.l. operates in the manufacture of industrial handling and automation systems.
- Petroncini Impianti S.p.A. operates the sector of machinery for the coffee production process;
- Powertransmission.it S.r.l. manufactures and sells engineering components, assemblies and complete plant;
- SIL.MAC. S.r.l. operates in the field of mechanical engineering, specialising in the construction of machines for third parties;
- STA.MA. S.r.l. is active in the assembly, construction and overhaul of automated machines;
- Talea Srl operates in the IT sector.

Other investments in associates consist of the following:

- Masterpiece S.r.l. which operates in the field of mechanical engineering;
- Scriba Nanotecnologie S.r.l. specializes in the study of hi-tech solutions against food adulteration and for tracking pharmaceuticals;
- CAIMA S.r.l., Consorzio L.I.A.M., FID S.r.l. Impresa Sociale, Me.Mo. S.r.l. and S.I.Me. S.r.l.

CMRE S.r.l., founded in 2012 and active in the real estate sector, has the following key financial figures at 31 December 2017: assets 12,438 thousand euros, liabilities 3,992 thousand euros, equity 8,446 thousand euros and loss of the year 129 thousand euros.

The following table sets out the goodwill included in the carrying amount of the above equity investments at 31 December 2017:

in thousands of euros	31.12.2017	31.12.2016
Associates:		
Atopbi S.p.A.	13,871	n.a.
Bolognesi S.r.l.	429	429
Bacciottini F.lli S.r.l.	158	158
Brio Pharma Technologies Pvt. Ltd.	—	279
I.E.M.A. S.r.l.	295	295
LA.CO. S.r.l.	129	129
Logimatic S.r.l.	158	158
Meccanica Sarti S.r.l.	1,103	1,103
MORC2 S.r.l.	1,401	1,401
Petroncini Impianti S.p.A.	1,715	1,715
Scriba Nanotecnologie S.r.l.	123	123
SIL.MAC. S.r.l.	131	131
Talea S.r.l.	145	145
Total	**19,658**	**6,066**

The Group does not have any associated companies that are individually significant; the Group's share of the aggregate amount of profit from associated companies accounted for using the equity method amounts to 1,346 thousand euros (1,594 thousand euros the previous year). The summary data was prepared using the financial statements at 31 December 2016 of the associated companies prepared in accordance with the national accounting standards; on the basis of our analyses, the adjustments to bring these financial statements into line with international accounting standards would not result in significant differences.

During 2017 Packaging Manufacturing Industry S.r.l. recognised dividends from associated companies totalling 865 thousand euros from Bacciottini F.lli S.r.l., Bolognesi S.r.l., I.E.M.A. S.r.l., MORC 2 S.r.l., Plasticenter S.r.l., SIL.MAC. S.r.l., STA.MA. S.r.l. and Talea S.r.l.

The Group does not have any joint ventures that are individually significant; the Group's share of the 2017 result of the CMRE Srl joint venture accounted for using the equity method amounts to -65 thousand euros (-68 thousand euros the previous year).

At the reporting date, the Group assessed whether there is evidence that the investments in associates and joint ventures have suffered an impairment. In this case, the Group calculated the amount of the impairment as the difference between the recoverable value of the associated company or joint venture and their carrying value in its financial statements, recognising this difference in the income statement.

As regards guarantees granted to associated companies and joint ventures please read Note 30.

5. Financial assets

The item breaks down as follows:

in thousands of euros	31.12.2017	31.12.2016
Non-current:		
- Investments in securities	—	14
- Financial receivables	1,259	4,122
- Investments in other companies	3,710	3,002
	4,969	**7,138**
Current:		
- Investments in securities	6,660	3,510
- Other cash equivalents	4,786	3,904
- Financial receivables	6,500	2,153
	17,946	**9,567**
Total	**22,915**	**16,705**

Non-current financial receivables at 31 December 2017 mainly refer to loans granted to third parties by Ilapak International SA for 457 thousand euros (2,844 thousand euros at 31 December 2016), a loan granted by the Parent Company to the associated company Logimatic Srl at market conditions of 450 thousand euros (540 thousand euros at 31 December 2016) and financial receivables from Telerobot SpA for 252 thousand euros (738 thousand euros at 31 December 2016).

Investments in other companies mainly include shares in Mint Street Holding SpA (formerly InterMedia Holding SpA) for 982 thousand euros (1,346 thousand euros at 31 December 2016) representing 1.31% of the share capital, shares in Continuus Pharmaceuticals Inc. for 1,382 thousand euros (1,382 thousand euros at 31 December 2016) representing 19.8% of the share capital and the shares held by Packaging Manufacturing Industry Srl in Plasticenter Srl for 937 thousand euros representing 18.96 % of the share capital.

In view of the strategic nature of these acquisitions for the IMA Group, these equity investments have been classified as financial assets available for sale and changes in their fair value are recognized in equity. Because of the significant and prolonged decrease in the fair value of the investment in Mint Street Holding in previous years and in the light of objective evidence of impairment, an adjustment of 2,804 thousand euros has been recognized as a financial charge. The change of the year, amounting to 364 thousand euros, reflects impairment adjustment recognised under financial charges.

Note that the parameter for the valuation of investments in current securities, consisting of mutual funds classified in level 3 of the fair value hierarchy, is the Net Asset Value at 31 December 2017.

Other cash equivalents include bank deposits of IMA-PG India Pvt Ltd. with the original maturity of more than three months.

Current financial receivables mainly consist of loans granted by the Parent Company and Packaging Manufacturing Industry S.r.l. to the joint venture CMRE S.r.l. for 1,650 thousand euros and to some associated companies for a total of 1,680 thousand euros and to loans granted by IMA S.p.A., Ilapak International SA and Telerobot S.p.A. to third parties for 370 thousand euros, 2,477 thousand euros and 257 thousand euros.

Movements in financial assets break down as follows:

in thousands of euros	2017	2016
Opening balance	16,705	15,397
Increases	7,677	5,561
Measurement at fair value recognized in OCI	226	—
Impairment adjustment booked to the income statement	(364)	—
Change in scope of consolidation	11	909
Decreases	(1,035)	(5,219)
Exchange rate difference	(305)	57
Closing balance	**22,915**	**16,705**
Of which:		
Non-current financial assets available for sale	3,710	3,016
Current financial assets available for sale	11,446	7,414
Non-current financial receivables	1,259	4,122
Current financial receivables	6,500	2,153
Total	**22,915**	**16,705**

6. RECEIVABLES FROM OTHERS

These mainly include various guarantee deposits.

7. DERIVATIVE FINANCIAL INSTRUMENTS

This item breaks down as follows:

in thousands of euros	Assets 31.12.2017	Assets 31.12.2016	Liabilities 31.12.2017	Liabilities 31.12.2016
Interest rate hedging instruments-cash flow hedges	—	—	2,129	2,280
Exchange rate hedging instruments-cash flow hedges	173	218	22	1,136
Total	**173**	**218**	**2,151**	**3,416**

INTEREST RATE DERIVATIVES

The Group uses interest rate derivatives (cash flow hedges) to manage the risk of changes in the interest rates on the bond and on the borrowings from banks, transforming part of them from floating to a maximum fixed rate via the purchase of a cap and the sale of a floor.

At 31 December 2017, the amount of 2,129 thousand euros in liabilities represents the fair value of options arranged by the Parent Company with leading credit institutions to hedge interest rate risk; such options are linked to the bond and to a portion of medium-term loans, maturing within 2020 and hedging a nominal value of 42.9 million US dollars and 77.9 million euros (50.0 million US dollars and 71.0 million euros at 31 December 2016).

EXCHANGE RATE DERIVATIVES

The Group uses exchange rate derivatives to hedge future cash flows (cash flow hedges). The exposure to exchange rate risk is managed with forward purchase and sale contracts denominated in the billing currency of certain markets in which the Group operates.

At 31 December 2017, the amounts of 173 thousand euros in assets and 22 thousand euros in liabilities represent the fair value of these derivative contracts.

The notional amount of these exchange rate hedges were 4.8 million US dollars, 45.4 million Chinese yuan, 0.7 million GB pounds sterling and 12.85 million Turkish Lire (52.4 million US dollars, 7.8 million Chinese yuan and 1.2 million Canadian Dollars at 31 December 2016). All foreign currency derivatives at 31 December 2017 mature within 12 months.

8. Deferred tax assets and liabilities

At 31 December 2017, the deferred tax asset of 67,879 thousand euros (64,916 thousand euros at 31 December 2016), mainly relates to taxes recognised in 2012 on the release of the uplift in the carrying amounts of the controlling interests recorded in IMA S.p.A.'s consolidated financial statements and temporary differences arising on provisions; deferred tax liabilities amount to 61,528 thousand euros (62,135 thousand euros at 31 December 2016) and mainly relate to temporary differences between the book values of certain tangible and intangible assets and their values recognised for tax purposes.

The following table shows the net change in deferred tax assets and liabilities:

in thousands of euros	31.12.2017	31.12.2016
Opening balance at the beginning of the year	2,781	(5,537)
Credited / (Charged) to the income statement	4,167	1,856
Credited / (Charged) to equity	(900)	1,869
Change in scope of consolidation	248	4,519
Exchange rate difference and other changes	55	74
Net amount at the end of the year	**6,351**	**2,781**

The main components of deferred tax assets and liabilities are presented below, together with the changes with respect to the prior year:

in thousands of euros	Accrued to provisions	Losses carried forward	Amortization	Income (losses) from fair value	Actuarial valuation	Other	Total
Balances at 01.01.16	22,195	4,800	(48,002)	535	3,465	11,470	(5,537)
Effect on the income statement	(952)	(1,108)	3,810	—	—	106	1,856
Effect on equity	—	—	—	165	1,080	624	1,869
Change in scope of consolidation	3,279	1,744	(958)	—	454	—	4,519
Exchange rate difference and other changes	1,237	(557)	(287)	(2)	12	(329)	74
Balances at 31.12.16	**25,759**	**4,879**	**(45,437)**	**698**	**5,011**	**11,871**	**2,781**
Effect on the income statement	1,237	17	3,229	—	—	(316)	4,167
Effect on equity	—	—	—	(285)	(615)	—	(900)
Change in scope of consolidation	323	—	—	—	13	(88)	248
Exchange rate difference and other changes	(440)	(167)	1,079	4	2	(423)	55
Balances at 31.12.17	**26,879**	**4,729**	**(41,129)**	**417**	**4,411**	**11,044**	**6,351**

"Other" mainly includes deferred tax assets relating to the franking of revaluations in 2012 and the elimination of unrealized intra-group profits.

At the reporting date, the amount of unused tax losses for which the deferred tax asset is not recognized in the balance sheet is equal to 69,749 thousand euros. This is mainly related to the tax losses of certain companies belonging to the Dairy&Food business (47,182 thousand euros at 31 December 2016).

There are no critical issues that preclude the recoverability of the deferred tax assets.

9. Inventories

Below is a breakdown:

in thousands of euros	31.12.2017 Gross value	31.12.2017 Impairment provision	31.12.2017 Net value	31.12.2016 Gross value	31.12.2016 Impairment provision	31.12.2016 Net value
Raw, ancillary and consumable materials	72,992	(14,998)	57,994	64,677	(14,339)	50,338
Work in progress and semifinished goods	270,840	(33,344)	237,496	244,688	(28,396)	216,292
Finished products and goods for resale	17,347	(3,144)	14,203	16,062	(3,783)	12,279
Total	**361,179**	**(51,486)**	**309,693**	**325,427**	**(46,518)**	**278,909**

At 31 December 2017, the inventories belonging to IMA MAI SA, Mapster Srl and Eurosicma amounted to 1,557 thousand euros, 1,328 thousand euros and 5,857 thousand euros respectively. The increase in inventories since 31 December 2016 mainly reflects the substantial amount of the backlog at the end of the year.

Movements in these provisions in the period were as follows:

in thousands of euros	
Balances at 01.01.2016	**47,790**
Net provisions (uses)	(3,027)
Change in scope of consolidation	1,695
Exchange rate difference	60
Balances at 31.12.2016	**46,518**
Net provisions (uses)	5,048
Change in scope of consolidation	594
Exchange rate difference	(674)
Balances at 31.12.2017	**51,486**

The net increase in inventories reported in the consolidated cash flow statement differs from the change in the corresponding item of the balance sheet mainly as a result of inventories attributable to business combinations during the period, as commented in Note 29.

10. Trade receivables and other receivables

This item breaks down as follows:

in thousands of euros	31.12.2017	31.12.2016
Trade receivables	325,225	308,912
Advances to suppliers	21,586	22,066
Tax receivables	32,785	16,306
Deferred costs	5,844	5,988
Other receivables	3,892	6,149
Total	**389,332**	**359,421**

Trade receivables

Trade receivables include customer receivables of 161,010 thousand euros (167,566 thousand euros at 31 December 2016), amounts due on construction contracts of 156,942 thousand euros (130,669 thousand euros at 31 December 2016) and trade receivables from associates of 7,273 thousand euros (10,677 thousand euros at 31 December 2016). At 31 December 2017, trade receivables attributable to business combinations carried out during the year came to a total of 8,857 thousand euros.

Trade receivables from customers are carried net of accumulated provisions amounting to 18,908 thousand euros (18,466 thousand euros at 31 December 2016).

The changes in the allowance for doubtful accounts during the year are summarized below:

in thousands of euros	2017	2016
Opening balance	18,466	14,810
Effect to the income statement	408	1,739
Uses	(536)	(1,623)
Change in scope of consolidation	706	3,533
Exchange rate difference and other	(136)	7
Closing balance	**18,908**	**18,466**

Customer receivables falling due beyond 12 months amounted to 722 thousand euros (629 thousand euros at 31 December 2016). Credit facilities granted to customers who reside in countries with particular risks are guaranteed by suitable financial instruments to secure collection.

Receivables assigned without recourse that had not yet fallen due at 31 December 2017 amounted to around 44,087 thousand euros (41,143 at 31 December 2016) of which 40,614 thousand euros is assigned to factoring companies and 3,473 thousand euros to other financial institutions. The period saw the assignment without recourse of receivables with an overall nominal value of around 65,321 thousand euros (61,013 thousand euros in 2016). The requirements for eliminating these receivables exist in accordance with IAS 39.

Amounts due from customers in respect of construction contracts, determined on a percentage-of-completion basis, are shown below net of the advances:

in thousands of euros	31.12.2017	31.12.2016
Construction contracts (costs incurred plus recognized margins)	361,209	300,214
Advances received	(204,267)	(169,545)
Amounts due from customers	**156,942**	**130,669**

Amounts due to customers (included in trade payables and other payables under advances) in respect of construction contracts, determined on a percentage-of-completion basis, are shown below net of the amounts due from customers:

in thousands of euros	31.12.2017	31.12.2016
Advances received	(82,543)	(107,473)
Construction contracts (costs incurred plus recognized margins)	67,628	74,646
Amounts due to customers	**(14,915)**	**(32,827)**

Revenue from contract work in 2017 amounted to 696,930 thousand euros (583,751 thousand euros in 2016).

The breakdown by maturity is as follows:

in thousands of euros	Not yet due	Past due < 12 months	Past due >12 months	Total
31.12.2017				
Gross trade receivables	115,703	45,418	18,797	179,918
Bad debt provision	(2,296)	(1,412)	(15,200)	(18,908)
Net trade receivables	**113,407**	**44,006**	**3,597**	**161,010**
31.12.2016				
Gross trade receivables	120,785	46,634	18,613	186,032
Bad debt provision	(1,757)	(1,791)	(14,918)	(18,466)
Net trade receivables	**119,028**	**44,843**	**3,695**	**167,566**

The high credit standing of our customers, largely multinationals, and the lack of any significant concentration of credit by type or geographic area, reduce credit risk and thus the provision for bad debt is sufficient. In particular, the recoverability of the carrying amount of receivables and the need for recognition of a possible write-down are the result of a process that involves subjective judgements by the Group. The factors taken into consideration principally affect the creditworthiness of the counterparty, the amount and timing of expected future payments and any action taken or to be taken to recover the receivables.

ADVANCES TO SUPPLIERS

At 31 December 2017 these relate to advances paid to suppliers for inventory goods of 16,895 thousand euros (16,512 thousand euros at 31 December 2016) and services of 4,691 thousand euros (5,554 thousand euros at 31 December 2016).

This item also includes advances to associates of 2,667 thousand euros (2,653 thousand euros at 31 December 2016).

TAX RECEIVABLES

Tax receivables mainly consist of VAT recoverable.

The net increase in trade and other receivables reported in the consolidated cash flow statement differs from the change in the corresponding item of the balance sheet as a result of trade receivables attributable to business combinations during the period, as commented in Note 29.

11. INCOME TAX RECEIVABLES AND PAYABLES

At 31 December 2017 income tax receivables and payables amount to 9,396 thousand euros and 11,574 thousand euros (7,985 thousand euros and 14,418 thousand euros respectively at 31 December 2016).

Income tax receivables principally reflect the amounts recorded by the Italian companies in the Group that have presented claims for the reimbursement of IRES. These claims are linked to the previous non-deduction of the IRAP charged on personnel expenses incurred in the period 2007-2011.

Tax payables represent the amount of current taxes on taxable income, to be paid to the consolidating companies SO.FI.M.A. S.p.A. and GIMA S.p.A., which pay taxes to the Italian tax authorities on behalf of the Group's Italian companies which joined the domestic tax group, and to the competent tax authorities for the other Group companies.

The following companies form part of the domestic tax group: IMA S.p.A., CO.MA.DI.S. S.p.A., Corazza S.p.A., Packaging Manufacturing Industry S.r.l. and Revisioni Industriali S.r.l. as consolidated companies and SO.FI.MA. S.p.A. as the consolidating company. Furthermore, GIMA S.p.A. as consolidating company and Fillshape S.r.l. as consolidated company form part of the domestic tax group. At 31 December 2017 receivables from and payables to SO.FI.M.A. S.p.A. amount to 3,643 thousand euros and 2,365 thousand euros respectively (receivables for 3,643 thousand euros and payables for 4,642 thousand euros at 31 December 2016).

12. Cash and cash equivalents

This item breaks down as follows:

in thousands of euros	31.12.2017	31.12.2016
Bank current accounts	203,264	196,664
Deposits	3,205	4,190
Cheques and cash	212	227
Total	**206,681**	**201,081**

For a better understanding of the trend in net financial indebtedness, reference should be made to Note 15.

13. Equity attributable to equity holders of the parent

	Shares in thousands	Share capital	Share premium reserve	Treasury shares
Balance at 01.01.2016	37,504	19,505	32,591	(71)
Capital increases	1,750	910	90,227	—
Distribution of dividends	—	—	—	—
Purchase and sale of treasury shares	—	—	—	—
Balance at 31.12.2016	39,254	20,415	122,818	(71)
Capital increases	—	—	—	—
Distribution of dividends	—	—	—	—
Purchase and sale of treasury shares	—	—	—	—
Balance at 31.12.2017	39,254	20,415	122,818	(71)

Share capital and share premium reserve

Share capital at 31 December 2017 is represented by the share capital issued (fully subscribed and paid up) by the Parent Company, IMA S.p.A., comprising 39,260,000 ordinary shares with a par value of 0.52 euros each.

Treasury shares

During 2017 and 2016, the Parent Company did not carry out any transactions in treasury shares. At 31 December 2017, 5,500 shares were held in portfolio (0.014% of share capital) for a total value of 71 thousand euros.

Dividends

In May 2017, a total dividend of 62,807 thousand euros was paid, equal to 1.60 euros (gross) per ordinary share in circulation (52,506 thousand euros, equal to 1.40 euros gross in May 2016).

In the current year, the Board of Directors of the Parent Company IMA S.p.A. proposes to pay out a dividend of 1.70 euros (gross) per share. As this dividend is subject to approval of the Shareholders' Meeting, it was not recognized as a liability at 31 December 2017.

Fair value reserve

Changes in the fair value reserve break down as follows:

in thousands of euros	
Balance at 01.01.2016	**(1,693)**
Cash flow hedges/Hedging instruments	
Measurement at fair value	(404)
Fair value – tax effect	91
Realization recognized in income – revenues	(213)
Realization recognized in income – costs	68
Realization recognized in income – financial income and expense	(127)
Tax effect – realization in income statement	65
Balance at 31.12.2016	**(2,213)**
Available for sale	
Measurement at fair value	226
Fair value – tax effect	(54)
Cash flow hedges/Hedging instruments	
Measurement at fair value	261
Fair value – tax effect	(62)
Realization recognized in income – revenues	(1,775)
Realization recognized in income – costs	(64)
Realization recognized in income – financial income and expense	2,513
Tax effect – realization in income statement	(156)
Balance at 31.12.2017	**(1,324)**

in thousands of euros	
Balance at 01.01.2016	**(8,200)**
Change in scope of consolidation	(2,362)
Actuarial value	(3,003)
Tax effect	1,054
Exchange rate difference and other changes	(72)
Balance at 31.12.2016	**(12,583)**
Change in scope of consolidation	(36)
Actuarial value	1,429
Tax effect	(559)
Exchange rate difference and other changes	154
Balance at 31.12.2017	**(11,595)**

At 31 December 2017 the fair value reserve essentially relates to the effective component of interest rate swaps.

OTHER RESERVES AND RETAINED EARNINGS

The changes during the year principally reflect the allocation of the net profit for the prior year and the changes in non-controlling interests discussed in Note 14. In addition, this item includes the reserve on the remeasurement of defined benefit plans, the movements of which during the period were as follows:

14. NON-CONTROLLING INTERESTS

The direct and indirect investments held by the Parent Company IMA S.p.A. together with non-controlling shareholders are indicated below:

		31 December 2017		31 December 2016	
	Country	% held by the Group	% held by third parties	% held by the Group	% held by third parties
Direct investments:					
GIMA TT S.p.A.	Italy	60.084%	39.916%	70%	30%
IMA Fuda (Shanghai) Packaging Mach. Co. Ltd.	PRC	80%	20%	80%	20%
Pharmasiena S.r.l.	Italy	70%	30%	70%	30%
Transworld Packaging Holding S.p.A.	Italy	81%	19%	81%	19%
Indirect investments:					
Digidoc S.r.l.	Italy	80%	20%	80%	20%
Dreamer S.r.l.	Italy	90%	10%	90%	10%
Eurotekna S.r.l.	Italy	85.71%	14.29%	n.a.	n.a.
Fillshape S.r.l.	Italy	80%	20%	80%	20%
Mapster S.r.l.	Italy	80%	20%	n.a.	n.a.
O.A.SYS. S.r.l.	Italy	70%	30%	n.a.	n.a.
Shanghai Tianyan Ph. Mach. Co. Ltd.	PRC	86.29%	13.71%	86.29%	13.71%
Teknoweb N.A. Llc	USA	75%	25%	75%	25%

During June 2017, Transworld Packaging Holding BV, a Dutch company, completed the procedure for transferring its headquarters to Ozzano dell'Emilia (BO) and its transformation into a joint stock company. Transworld Packaging Holding S.p.A. controls thirteen companies, either directly or indirectly. For further information, see the list of equity investments provided in section H of the explanatory notes.

At 31 December 2017, non-controlling interests amount to 21,309 thousand euros (14,647 thousand euros at 31 December 2016) and principally relate to GIMA TT S.p.A., 17,808 thousand euros and the Ilapak Group, 2,931 thousand euros.

The dividends paid to minority shareholders in 2017 amounted to 10,583 thousand euros and refer for 8,100 thousand euros to GIMA TT S.p.A. (7,537 thousand euros in 2016, of which 6,032 thousand euros attributable to GIMA TT S.p.A.).

In 2017, GIMA TT S.p.A., a subsidiary of the Parent Company that produces automatic packaging machines in the tobacco sector, was listed on the MTA, as commented on in the "Scope of consolidation" section. This reduced its shareholding from 70% to 60.084, without resulting in a loss of control over GIMA TT by the Group; therefore, the effect of the above transactions has increased equity attributable to the shareholders of the Parent Company by 99,169 million euros, in compliance with international accounting standards.

The amount included in the item Change in minority interests in the Consolidated statement of cash flows, equal to 103,641 thousand euros, represents the total proceeds from IMA S.p.A.'s exclusive Institutional Placement for an amount of 109,085 thousand euros, net of ancillary expenses of 5,444 thousand euros.

GIMA TT S.p.A. is the only company in the IMA Group with significant non-controlling interests. The following is a summary of the key figures of GIMA TT S.p.A. at 31 December 2017, with comparative figures at 31 December 2016:

in thousands of euros	31.12.2017	31.12.2016
Non-current assets	4,940	1,806
Current assets	111,249	92,340
Non-current liabilities	(592)	(130)
Current liabilities	(70,988)	(66,521)
Equity	44,609	27,495

in thousands of euros	2017	2016
Revenue and other revenue	154,219	100,511
Costs	(92,988)	(60,752)
Financial income and expense	(117)	(14)
Taxes	(16,997)	(12,512)
Profit for the year	44,117	27,233

in thousands of euros	31.12.2017	31.12.2016
Cash flows from operating activities	30,791	23,730
Cash flows from investing activities	4,483	(492)
Cash flows from financing activities	(27,110)	10,471
Net change in liquid funds	8,164	33,709

15. Borrowings

This item comprises payables to banks of 160,073 thousand euros (192,625 thousand euros at 31 December 2016), payables to other lenders of 2,598 thousand euros (3,753 thousand euros at 31 December 2016) and bonds of 113,268 thousand euros (118,346 thousand euros at 31 December 2016).

Payables to banks

Payables to banks break down as follows:

in thousands of euros	31.12.2017	31.12.2016
Non-current:		
- Applied research and technological innovation loans	3,621	4,069
- Other loans	56,867	104,299
	60,488	**108,368**
Current:		
- Current accounts	22,722	4,171
- Advances on domestic transactions (Italy)	2,456	920
- Advances on export transactions	20,540	30,054
- Advances on export transactions to be carried out	518	346
- Applied research and technological innovation loans	1,436	979
- Other loans	51,913	47,787
	99,585	**84,257**
Total	**160,073**	**192,625**

Applied research and technological innovation loans

During the period, instalments of 1,175 thousand euros were paid regularly as they fell due and new loans of 1,186 thousand euros were received.

Other loans

The principal changes in Other loans relate to the Parent Company and comprise repayments of 47,400 thousand euros.

Payables to banks are analyzed by maturity as follows:

in thousands of euros	31.12.2017	31.12.2016
Due within 1 year	99,585	84,257
Due from 1 to 5 years	60,488	108,368
Due beyond 5 years	—	—
Total	**160,073**	**192,625**

Applied research and technological innovation loans and other loans are analyzed below by currency:

in thousands of euros	31.12.2017	31.12.2016
Euro	109,518	157,134
US dollar	4,169	—
Other	150	—
Total	**113,837**	**157,134**

It is worth pointing out that a loan obtained by the Parent Company in 2014 from the European Investment Bank (EIB), at 31 December 2017 is secured by a SACE guarantee of 7,000 thousand euros. Certain loans and financings are guaranteed by compliance with certain financial covenants calculated on the basis of the following items in the consolidated financial statements:

- ratio between net financial charges and EBITDA;
- ratio of net financial indebtedness to equity;
- ratio between net debt and EBITDA;
- ratio between gross debt and EBITDA.

Non-compliance with these covenants would constitute a material event for the purposes of calling in the related loans.

At 31 December 2017, all covenant requirements have been met.

Interest rates on financial payables are on average less than 5% (less than 5% in 2016).

At 31 December 2017 the Group had around 363 million euros of unutilised borrowing facilities (around 374 million euros at 31 December 2016).

The book value of advances on export transactions reflects a good estimate of their fair value. Determining the fair value of mortgages and other loans as the present value of future capital and interest flows, calculated using the market rate expressed by the zero coupon free risk curve as of the reporting date, would lead to an increase in payables by around 7.8 million euros.

PAYABLES TO OTHER LENDERS

This item breaks down as follows:

in thousands of euros	31.12.2017	31.12.2016
Non-current:		
- Payables to leasing companies	794	813
- Other	661	1,508
	1,455	**2,321**
Current:		
- Payables to leasing companies	245	217
- Payables to factoring companies	54	69
- Other	844	1,146
	1,143	**1,432**
Total	**2,598**	**3,753**

At 31 December 2017, the amount payable to leasing companies principally includes the finance lease for the factory in Krakow (Poland) and other assets used by Ilapak Sp. Zo.o for a total of 908 thousand euros (929 thousand euros at 31 December 2016).

“Other” includes financial payables of Ilapak Italia S.p.A., 850 thousand euros (1,971 thousand euros at 31 December 2016) and of Telerobot S.p.A. for 655 thousand euros.

There are no payables that fall due beyond 5 years.

The total minimum future payments under finance leases at the reporting date are reconciled with their present value below:

in thousands of euros	Due within 1 year	Due from 1 to 5 years	Due beyond 5 years	Total
Year 2017				
Minimum payments of finance leases	315	817	—	1,132
Less future financial charges	(70)	(23)	—	(93)
Present value of finance lease payables	**245**	**794**	**—**	**1,039**
Year 2016				
Minimum payments of finance leases	291	893	—	1,184
Less future financial charges	(74)	(80)	—	(154)
Present value of finance lease payables	**217**	**813**	**—**	**1,030**

BONDS

In May 2014, the Parent Company completed the placement with European institutional investors of a non-convertible bond amounting to 80 million euros, represented by two separate issues of equal amount with 5 and 7 years to maturity, redeemable in lump sums on the respective maturity dates. These bonds bear interest at a fixed rate of 3.875% and 4.375% respectively.

On 19 January 2018 the Bondholders’ Meeting resolved on the first issue, postponing the maturity date to 13 May 2024 and reducing the interest due after the original maturity date from 3.875% to 1.637%.

In February 2013 IMA S.p.A. completed the US Private Placement of a non-convertible bond totalling 50 million US dollars with repayment in equal instalments over 10 years, starting from the fourth year. This bond incurs interest at a fixed rate of 6.25%.

The first tranche was repaid in February 2017 for a total of 7.1 million US dollars.

The bonds are not guaranteed, but certain covenants must be met.

At 31 December 2017, outstanding bonds total 113,268 thousand euros, representing their nominal redemption value of 80 million euros and 42.9 million US dollars.

Bonds are made up of:

in thousands of euros	31.12.2017	31.12.2016
Non-current portion	105,537	110,497
Current portion	7,731	7,849
Total book value	**113,268**	**118,346**
Adjustment to fair value and measurement at amortized cost	2,467	9,088
Total nominal redemption value	**115,735**	**127,434**

Net debt

The breakdown of net debt, alternative performance indicator, is as follows:

in thousands of euros	31.12.2017	31.12.2016
A. Cash and cash equivalents	(206,681)	(201,081)
B. Other cash equivalents	(4,786)	(3,904)
C. Investments in securities	(6,660)	(3,510)
D. Liquidity (A)+(B)+(C)	**(218,127)**	**(208,495)**
E. Current financial receivables	**(6,500)**	**(2,153)**
F. Current payables to banks	50,554	35,491
G. Current portion of non-current payables	57,196	57,022
H. Other current financial payables	709	1,025
I. Current financial debt (F)+(G)+(H)	**108,459**	**93,538**
J. Net current financial debt (D)+(E)+(I)	**(116,168)**	**(117,110)**
K. Non-current portion of non-current bank payables	60,488	108,368
L. Bonds issued	105,537	110,497
M. Other non-current financial payables	1,455	2,321
N. Non-current financial assets	(1,259)	(4,136)
O. Net non-current financial debt (K)+(L)+(M)+(N)	**166,221**	**217,050**
P. Net financial debt (J)+(O)	**50,053**	**99,940**

When preparing the table of net financial indebtedness, which is not identified as an accounting measurement by international accounting standards, we took into account the requirements of Consob Communication DEM/6064293 of 28 July 2006, even though we included financial receivables classified as non-current financial assets.

Total non-current financial assets differs from that reported in the balance sheet as it does not include equity interests in other companies. For information on the breakdown of the items in net debt, see Notes 5 and 12.

The Group also has payables in respect of acquisitions totalling 36,467 thousand euros (19,898 thousand euros at 31 December 2016), essentially relating to the options agreed for the purchase of the non-controlling interests in subsidiaries. The change with respect to the previous period is mainly due to payment of the earn-out for the Medtech business, net of the payables for the acquisition of MAI S.A., Mapster S.r.l. and Eurosicma S.p.A. See Note 18 for further information.

The reduction in debt compared with 31 December 2016 of 49,887 thousand euros is mainly due to the sale of almost 10% of GIMA TT, which took place when it was listed on the Stock Exchange, giving proceeds of 102,457 thousand euros, less the cost of purchasing the Maisa, Mapster and Eurosicma businesses and the exercise of the Medtech option for a total of 31,604 thousand euros, the acquisition of the non-controlling interests in ATOP for a total of 15,969 thousand euros and the dividends distributed by the Parent Company (62,807 thousand euros paid in May 2017). This result is due to the strong Group cash generation, once again confirming effective management of net working capital.

16. Employee defined benefit liabilities

This item includes post-employment benefits valued actuarially by independent actuaries using the project unit credit method under IAS 19. It mainly comprises the pension funds belonging to the newly-acquired companies of the Dairy&Food business and severance indemnity provisions made by the Group's Italian companies.

The changes in the provisions during the year were as follows:

in thousands of euros	
Balance at 01.01.2016	51,184
Service cost	1,164
Financial charges	974
Net actuarial losses (gains) recognized during the year	3,096
Change in scope of consolidation	4,265
Benefit paid out during the year	(2,853)
Exchange rate difference	90
Other changes	6
Balance at 31.12.2016	**57,926**
Service cost	809
Financial charges	1,163
Net actuarial losses (gains) recognized during the year	(1,424)
Change in scope of consolidation	896
Benefit paid out during the year	(2,992)
Exchange rate difference	(417)
Balance at 31.12.2017	**55,961**

The change in scope of consolidation includes the defined benefit plans of the newly acquired companies Mapster S.r.l., Eurosicma S.p.A., Eurotekna S.r.l. and O.A.SYS. S.r.l.

The employee defined benefit liabilities are analyzed below by geographical area:

in thousands of euros	31.12.2017	31.12.2016
Italy	20,276	19,744
Germany	28,181	31,027
Switzerland	3,544	3,751
France	2,509	2,304
North America	660	345
Other countries	791	755
Total	**55,961**	**57,926**

At 31 December 2017 the companies forming part of the Dairy & Food business showed the following key figures:

in thousands of euros	Country	31.12.2017	31.12.2016
Benhil GmbH	Germany	6,439	6,910
Erca S.A.	France	2,198	1,994
GASTI Verpackungsmaschinen GmbH	Germany	3,075	677
Hamba Filltec GmbH & Co. KG	Germany	16,303	20,850
Hassia Verpackungsmaschinen GmbH	Germany	2,203	2,462
Total		**30,218**	**32,893**

The following economic-financial assumptions were adopted in relation to the above companies:

	31.12.2017	31.12.2016
Annual discount rate	1.85%	1.75%
Annual rate of increase of total compensation	2.5-2.2%	2.5-2.2%
Annual rate of increase of pension fund	1.0-0%	1.5-0%

The iBoxx Eurozone Corporates AA 10+ index has been used as a parameter for the discount rate. The demographic assumptions used for the Dairy&Food companies derive from specific demographic tables for the countries in question.

Furthermore, the following economic-financial assumptions were adopted in relation to the Italian companies:

	31.12.2017	31.12.2016
Annual discount rate	1.20%	1.50%
Annual inflation rate	1.50%	1.50%
Annual rate of increase of total compensation	3.00%	3.00%
Annual rate of increase of severance indemnity	2.63%	2.63%

The discounting rate applicable to Italian companies was determined with reference to the iBoxx Eurozone Corporates AA 10+ index.

The main demographic assumptions used by the actuary for the Italian companies are the following:

- life expectancies: those determined by the State General Accounting Office (RG48 split by gender);
- probability of disability: that in the INPS (National Social Security Institute) model for projections at 2010, distinguished by gender;
- pensionable age: the earliest retirement age possible under the Compulsory General Insurance scheme;
- probability of leaving work for reasons other than death: annual frequencies from 2.5% to 12%;
- probability of advance payments: an annual frequency from 3% to 5% for requests for advances of 60/70%.

The details of net assets or liabilities for benefits to employees related to the American company Ilapak Inc. pension plan are the following:

in thousands of euros	
Present value of defined benefit obligations	4,550
Fair value of plan assets	(4,432)
Net defined benefit liabilities at 31 December 2016	**118**
Present value of defined benefit obligations	2,479
Fair value of plan assets	(2,107)
Net defined benefit liabilities at 31 December 2017	**372**

The changes in in the present value of the obligation is the following:

The assets servicing the plan consist 95% of US treasury bonds, corporate bonds and insurance policies. The risk profile and volatility associated with this plan are deemed to be low and the average return on the individual types of bonds in 2017 was around 6%. The liquidity that the plan is able to generate depends on fluctuations in the interest rates on the individual securities held.

The revised version of IAS 19 requires sensitivity analysis to be performed on the main actuarial assumptions used for the computational model; separate sensitivity analyses have therefore been performed for the Italian companies and for the companies in the Dairy&Food business versus severance indemnities at 31 December 2017 of 20,035 thousand euros and pension funds of 30,218 thousand euros.

in thousands of euros	2017	2016
Opening balance	4,550	4,277
Financial expense	110	168
Actuarial losses (gains)	330	15
Severance payments made during the year	(2,054)	(57)
Exchange rate difference	(457)	147
Present value of defined benefit obligations	**2,479**	**4,550**
Opening balance	4,432	4,188
Return on plan assets	154	159
Severance payments made during the year	(2,054)	(57)
Exchange rate difference	(425)	142
Fair value of plan assets	**2,107**	**4,432**

The results are summarized in the following table:

	Annual discount rate		Annual inflation rate		Turnover rate	
in thousands of euros	+0.50%	-0.50%	+0.25%	-0.25%	+2.00%	-2.00%
Provision for severance indemnities italian companies	19,052	21,101	20,307	19,778	19,644	20,515

	Annual discount rate		Pension funds increases		Life expectancy	
in thousands of euros	+0.25%	-0.25%	+0.25%	-0.25%	+ 1 year	- 1 year
Pension funds Dairy&Food companies	29,137	31,366	31,049	29,425	34,211	29,081

The contributions expected to be made in future years in respect of the obligations of the main defined benefit plans involve the following payments:

in thousands of euros	2017	2016
Within 1 year	861	968
From 1 to 5 years	4,539	4,375
From 5 to 10 years	7,009	6,621
Total expected payments italian companies	**12,409**	**11,964**
Within 1 year	1,236	1,299
From 1 to 2 years	1,140	1,117
From 2 to 3 years	1,100	1,139
Total expected payments Dairy&Food business companies	**3,476**	**3,555**

17. PROVISIONS FOR RISKS AND CHARGES

These provisions are analyzed as follows:

in thousands of euros	Balance at 31.12.2016	Net increases	Net decreases	Change in scope of consolidation	Exchange rate differences	Balance at 31.12.2017
Non-current:						
Agency termination indemnities	4,988	219	(573)	64	—	4,698
Other provisions	879	278	(41)	—	—	1,116
	5,867	**497**	**(614)**	**64**	**—**	**5,814**
Current:						
Product guarantee provision	25,720	5,785	(4,033)	150	(587)	27,035
Other provisions	5,196	3,225	(2,823)	—	(48)	5,550
	30,916	**9,010**	**(6,856)**	**150**	**(635)**	**32,585**
Total	**36,783**	**9,507**	**(7,470)**	**214**	**(635)**	**38,399**

The change in scope of consolidation refers to Eurosicma S.p.A and Mapster S.r.l.

The product guarantee provision was established on the basis of estimated expenses for work to be performed under guarantee after 31 December 2017, calculated on the basis of historical costs and expected costs of machines sold and still under guarantee.

Other provisions are made up essentially of provisions for risks and charges made to cover tax liabilities (Note 27) or charges that might arise from contractual obligations; Group companies used experienced tax consultants to quantify the provisions.

During the first half of 2010, the Parent Company was subjected to a tax audit by the Tax Authorities that ended in June 2010. Following the audit, notices of assessment were issued that IMA SpA has appealed against to the competent tax authorities. With reference to these disputes, in October 2017 the Parent Company submitted to the Tax Authorities an Application for the Facilitated Definition of Tax Disputes Pending pursuant to Art. 11 of Legislative Decree 24 April 2017, converted, with amendments, by Law 96 of 21 June 2017, at the same time paying the total amount of 401 thousand euros, which was already accrued in Other provisions, and filed requests for suspension of the related proceedings with the competent authorities.

18. Trade payables and other payables

This item is analyzed as follows:

in thousands of euros	31.12.2017	31.12.2016
Trade payables	358,137	328,215
Advances from customers	166,061	170,670
Social security and defined-contribution plan payables	13,232	12,084
Tax payables	12,660	12,737
Due to employees	65,966	54,698
Payables in respect of acquisitions	36,467	19,898
Deposits	3,034	3,722
Other payables	15,448	14,821
Total	**671,005**	**616,845**

Trade payables

These include trade payables to suppliers of per 263,857 thousand euros (241,843 thousand euros at 31 December 2016), payables to agents of 14,612 thousand euros (11,473 thousand euros at 31 December 2016) and trade payables to associates of 79,668 thousand euros (74,899 thousand euros at 31 December 2016).

Trade payables to associates reflects the Group's constant commitment in pursuing close collaboration with those suppliers that play a key role in production, also by considering the possibility of becoming shareholders in their companies.

Advances from customers

The high level of advances from customers for uncompleted contracts is due mainly to the large volume of orders received at the reporting date.

Information on the amount due to customers for construction contracts (14,915 thousand euros) can be found in Note 10.

Tax payables

Tax payables mainly consist of income tax withheld from employees' wages and salaries.

Due to employees

This item includes 3,785 thousand euros classified as non-current liabilities (401 thousand euros at 31 December 2016).

Payables in respect of acquisitions

At 31 December 2017 this item includes payables for the purchase of investments for the acquisition of the Teknoweb and Medtech and Eurosicma S.p.A. businesses for 9,236 thousand euros, 1,709 thousand euros and 18,218 thousand euros respectively and of the companies Telerobot S.p.A., G.S. Coating Technologies S.r.l. and MAI S.A. for a total of 7,304 thousand euros.

The total amount of payables for acquisitions classified under non-current liabilities comes to 31,247 thousand euros (13,811 thousand euros at 31 December 2016).

Other payables

At 31 December 2017, other payables include 9,614 thousand euros classified under current liabilities (5,880 thousand euros classified as non-current liabilities at 31 December 2016) related to the medium and long term variable component of payroll that can be earned by three directors on the achievement of pre-defined measurable targets over three years.

The net increase in trade payables and other payables reported in the consolidated cash flow statement differs from the change in the corresponding items in the statement of financial position mainly as a result of trade payables attributable to the business combinations carried out during the period, as commented on in Note 29.

19. Other revenue

This item breaks down as follows:

in thousands of euros	2017	2016	Change
Capital gains on disposal of non-current assets	1,529	621	908
Out-of-period income	2,457	2,466	(9)
Capitalization of internal construction costs	15,810	11,280	4,530
Other revenue and income	8,527	8,380	147
Total	**28,323**	**22,747**	**5,576**

The increase in non-current assets for internal work in 2017 refer for 12,146 thousand euros to development costs (9,497 thousand euros in 2016) and for 3,664 thousand euros to equipment and machinery (1,783 thousand euros in 2016).

20. Cost of raw, ancillary and consumable materials and goods for resale

This item breaks down as follows:

in thousands of euros	2017	2016	Change
Raw materials and semifinished goods	476,080	448,685	27,395
Consumables and ancillary materials	17,751	18,184	(433)
Marketable goods	41,612	49,281	(7,669)
Other purchases	5,327	4,475	852
Total	**540,770**	**520,625**	**20,145**

The cost of raw, ancillary and consumable materials and goods attributable to IMA MAI S.A., Mapster S.r.l. and Eurosicma, which were not included in the scope of consolidation in 2016, amounted to 6,556 thousand euros.

The item includes non-recurring charges for 570 thousand euros (840 thousand euros in 2016) as commented in Note 33.

21. Services, rentals and leases

This item breaks down as follows:

in thousands of euros	2017	2016	Change
Outsourced work and fitting	88,621	76,410	12,211
Maintenance and repair	10,425	9,509	916
Energy, telephone, gas, water and postal charges	14,783	13,837	946
Commissions	17,752	16,163	1,589
Technical, legal, tax and administrative consulting services	74,460	62,522	11,938
Advertising and promotions	4,956	4,627	329
Exhibitions	8,676	4,352	4,324
Travel and insurance	38,185	36,228	1,957
Transport	19,909	17,612	2,297
Bank charges	1,880	1,926	(46)
Rental charges	21,072	19,542	1,530
Operating lease fees	515	1,005	(490)
Rental fees	3,695	3,156	539
Other services	23,211	18,886	4,325
Total	**328,140**	**285,775**	**42,365**

Services, rentals and leases attributable to IMA MAI S.A., Mapster S.r.l. and Eurosicma, which joined the scope of consolidation in 2017, amounted in total to 4,925 thousand euros.

The item also includes non-recurring charges for 8,709 thousand euros (2,641 thousand euros in 2016) as commented in Note 33.

22. Personnel costs

Personnel costs break down as follows:

in thousands of euros	2017	2016	Change
Wages and salaries	294,245	268,254	25,991
Social security contributions	67,709	60,715	6,994
Board of Directors' emoluments	10,044	8,989	1,055
Pensions – defined-benefit plans	734	1,178	(444)
Pensions – defined-contribution plans	13,137	11,928	1,209
Other personnel costs	24,068	20,425	3,643
Total	**409,937**	**371,489**	**38,448**

The personnel costs attributable to the Medtech business and Telerobot SpA, which were included in the scope of consolidation for part of the previous year for 19,363 thousand euros, come to 26,646 thousand euros. The personnel costs attributable to the newly acquired IMA MAI S.A., Mapster Srl and Eurosicma total 7,394 thousand euros.

The item includes non-recurring charges for 3,423 thousand euros (2,444 thousand euros in 2016) as commented in Note 33.

In addition, the higher level of costs compared with the prior year is mainly due to the labour cost of the Italian employees: taking the main elements of remuneration into account, this has increased by 6.4%, triggered by pay rises under the National Collective Bargaining Agreement for Metalworkers, pay rises under the various Company Supplementary Agreements, bonuses linked to local company bargaining, as well as the Group's bonus policy. Personnel costs have also risen in line with the increased number of employees and collaborators in the year.

The IMA Group employed 5,448 people on average during 2017, as analyzed below:

	2017	2016	Change
Managers	206	196	10
Office workers	3,512	3,362	150
Production workers	1,730	1,551	179
Total	**5,448**	**5,109**	**339**

At 31 December 2017, the Group had 5,613 employees (5,249 at 31 December 2016) of whom 204 work for IMA MAI S.A., Mapster S.r.l. and Eurosicma business.

23. Depreciation, amortization and write-downs

This item breaks down as follows:

in thousands of euros	2017	2016	Change
Depreciation of property, plant and equipment	13,152	11,687	1,465
Amortization of intangible assets	26,886	26,128	758
Write-downs/impairment	2,011	—	2,011
Bad debt provision	408	1,739	(1,331)
Total	**42,457**	**39,554**	**2,903**

The increase in amortisation mainly refers to development costs. Further information on write-downs/impairment is provided in Notes 3.

24. Other operating costs

Other operating costs comprise:

in thousands of euros	2017	2016	Change
Capital losses on disposal of non-current assets	248	145	103
Property tax and other taxes	2,883	3,083	(200)
Out-of-period expenses	1,444	1,741	(297)
Membership fees	400	345	55
Penalties and charges on sales	1,086	861	225
Sundry promotional materials	309	262	47
Other operating expenses	3,694	3,334	360
Total	**10,064**	**9,771**	**293**

Other operating costs include 243 thousand euros attributable to the newly acquired companies IMA MAI SA, Mapster Srl and Eurosicma.

Other operating costs include non-recurring charges for 290 thousand euros as discussed in Note 33.

25. Financial income

This item breaks down as follows:

in thousands of euros	2017	2016	Change
Income from exercise of the option of Dairy&Food business	—	18,699	(18,699)
Interest income from banks	315	281	34
Interest income on amounts due from customers	29	16	13
Income from corrent investments available for sale	161	32	129
Other interest and financial income	269	282	(13)
Income from derivative financial instruments	258	267	(9)
Exchange rate gains	26,030	16,659	9,371
Total	**27,062**	**36,236**	**(9,174)**

Note that during 2016 early exercise of the put & call option for the residual 20% of the Dairy&Food Group generated financial income of 18,699 thousand euros.

26. Financial expense

This item breaks down as follows:

in thousands of euros	2017	2016	Change
Interest expense on bank payables	3,905	4,533	(628)
Interest expense on bonds	5,558	5,844	(286)
Interest expense on discounting	224	187	37
Interest expense on finance leases	59	56	3
Net financial expense on defined-benefit plans	1,061	1,036	25
Various interest expense	295	483	(188)
Write down of non-current assets available for sale	364	—	364
Bank guarantee expenses	603	783	(180)
Expense from derivative financial instruments	547	457	90
Other financial expense	403	279	124
Exchange rate losses	29,958	16,292	13,666
Total	**42,977**	**29,950**	**13,027**

The decrease in interest expense reflects the lower level of borrowing during the year.

The write-down of non-current assets available for sale relates to the investment in Mint Street Holding S.p.A. For further details, please read Note 5.

At 31 December 2017, exchange rate gains and losses included an unrealized gain of 12,072 thousand euros and an unrealized loss of 15,076 thousand euros (7,366 thousand euros and 7,614 thousand euros, respectively, in the previous year).

27. Taxes

This item is analyzed as follows:

in thousands of euros	2017	2016	Change
Taxes for the period:			
Current taxes	54,103	49,097	5,006
Net deferred tax assets and liabilities	(4,167)	(1,856)	(2,311)
	49,936	**47,241**	**2,695**
Prior year taxes	1,223	520	703
Total	**51,159**	**47,761**	**3,398**

Taxes relating to previous years mainly refer to the provision made to cover potential liabilities resulting from the tax audit on income tax, IRAP, VAT and other taxes carried out at IMA SpA by the Tax Authorities – Regional Management of Emilia Romagna, for the tax period 2014 and, with reference to the transactions related to that year, also for previous periods. The audit was completed in December with the preparation of Inspection Minutes. With reference to this potential liability, the Parent Company is evaluating, among the viable alternatives, also those that could achieve an amicable settlement of the dispute. See Note 17 for further information.

The following table reconciles the tax charges with the book profits multiplied by the applicable tax rates:

in thousands of euros	2017	2016
Profit before taxes	**150,584**	**149,153**
Taxes determined on the tax rate applicable in each country	**38,425**	**42,281**
Income not subject to tax	(913)	(5,506)
Tax effect of non-deductible costs	2,310	2,620
IRAP	6,941	5,917
Other changes	3,173	1,929
Prior year taxes	1,223	520
Total	**51,159**	**47,761**

The theoretical tax rate used to determine the income taxes of Italian companies is 24% of the taxable income for the year. The income taxes of foreign companies are calculated using the tax rates applied in each country.

28. Earnings per share

Basic earnings per share are calculated as the ratio of Group net profit to the weighted average number of ordinary shares outstanding during the year, as follows:

	2017	2016
Profit for the year (thousands of euros)	85,590	93,536
Average number of outstanding ordinary shares (thousands of shares)	39,254	38,463
Earning per share (in euros)	**2.18**	**2.43**

For the IMA Group, basic earnings per share and diluted earnings per share are the same, given the absence of instruments that might result in dilution.

29. Business combinations

On 4 January 2017 IMA SpA completed the closing for the purchase of a 70% stake in MAI SA, based in Argentina, which manufactures and sells machines for the packaging of tea and herbal teas in filter bags. The financial outlay amounts to 7,857 thousand US dollars, of which 5,700 thousand US dollars paid at the closing and the balance in three annual tranches. IMA has also been granted an option to buy 100%, which can be exercised in April 2021.

The main provisional values for assets and liabilities at the acquisition date were as follows:

in thousands of euros	Total book values	Fair value
Property, plant and equipment and intangible assets	961	961
Inventories	1,273	1,273
Trade and other receivables	1,623	1,623
Deferred tax liabilities	(88)	(88)
Trade and other payables	(1,094)	(1,094)
Total	**2,675**	**2,675**
Purchase cost		10,107
Goodwill		**7,432**

The cost of the acquisition includes the consideration paid of 5,700 thousand US dollars, the residual debt of 2,157 thousand US dollars and the fair value of the debt relating to the option for the purchase of the residual 30% of the capital of 2,591 thousand euros, discounted using the return on government bonds with the same duration.

At 31 December 2017 the key figures of the newly acquired company, consolidated for 12 months, are as follows:

in thousands of euros	
Property, plant and equipment	569
Goodwill	7,432
Inventories	1,557
Trade receivables	1,240
Cash and cash equivalents	800
Trade payables and advances	(921)
Revenues	8,195
Gross operating profit (EBITDA) before non-recurring items	1,771
Personnel cost	(3,250)

On 20 April 2017, IMA, through its subsidiary GIMA S.p.A., completed the acquisition of 80% of Mapster S.r.l. This company, which is based in Parma, is an important player in the design, manufacture and marketing of automatic machines for the filling and packaging of single-serve coffee capsules.

The main provisional values for assets and liabilities at the acquisition date were as follows:

The cost of the acquisition was paid in full during the year.

At 31 December 2017 the key figures of the newly acquired company, consolidated for 8 months, are as follows:

in thousands of euros	
Property, plant and equipment and intangible assets	261
Goodwill	2,834
Inventories	1,328
Trade receivables	1,170
Cash and cash equivalents	166
Trade payables and advances	(1,061)
Revenues	2,151
Gross operating profit (EBITDA) before non-recurring items	(646)
Personnel cost	(1,052)

On 25 July 2017, IMA reached closing for the purchase of 60% of Eurosicma S.p.A., based in Milan, which manufactures and markets automatic machines and systems for horizontal flowpack and fold packaging for the food, cosmetics and pharmaceutical industries. Eurosicma is a historical Italian packaging company, founded in 1965, with a long established leadership in certain market niches such as sweets, biscuits packed on edge and noodles in the food industry, sticking plasters and cotton buds in the pharmaceutical and personal care segments. IMA has signed put and call options for the other 40%, to be exercised by April 2027.

Eurosicma SpA holds 85.71% of the Milan-based company Eurotekna Srl, which manufactures and sells automatic machines and feeding systems for bakery products, and 70% of O.A.SYS. Open Automation System Srl, based in Segrate (MI).

in thousands of euros	Total book values	Fair value
Property, plant and equipment and intangible assets	293	293
Deferred tax assets	104	104
Inventories	839	839
Trade and other receivables	1,495	1,495
Cash and cash equivalents	11	11
Other assets	115	115
Employee defined benefit liabilities	(80)	(80)
Borrowings	(1,888)	(1,888)
Provisions for risks and charges	(150)	(150)
Trade and other payables	(1,281)	(1,281)
Total	**(542)**	**(542)**
Minority		(108)
Purchase cost		2,400
Goodwill		**2,834**

The main provisional values for assets and liabilities at the acquisition date were as follows:

in thousands of euros	Total book values	Fair value
Property, plant and equipment	998	998
Intangible assets	85	17
Deferred tax assets	232	232
Inventories	9,146	9,146
Trade and other receivables	5,212	5,212
Cash and cash equivalents	7,345	7,345
Other assets	513	513
Borrowings	(1)	(1)
Employee defined benefit liabilities	(816)	(816)
Provisions for risks and charges	(64)	(64)
Trade and other payables	(9,935)	(9,935)
Total	**12,715**	**12,647**
Minority		190
Purchase costs		44,018
Goodwill		**31,561**

The acquisition cost includes the amount paid (25,800 thousand euros) and the fair value of the option to purchase the residual 40% of the capital (18,218 thousand euros), discounted using the yield on a government security with the same maturity.

At 31 December 2017 the key figures of the newly acquired companies, consolidated for 5 months, are as follows:

in thousands of euros	
Property, plant and equipment	921
Goodwill	31,561
Deferred tax assets	236
Inventories	5,857
Trade receivables	6,447
Cash and cash equivalents	10,198
Employee defined benefit liabilities	(799)
Provisions for risks and charges	(69)
Trade payables and advances	(6,452)
Revenues	14,976
Gross operating profit (EBITDA) before non-recurring items	3,457
Personnel cost	(3,092)

The initial values for the business combinations that took place during the year were determined on a provisional basis, as the fair value of the assets, liabilities, contingent liabilities and costs of the combinations have not yet been calculated on a definitive basis. As required by IFRS 3, any adjustments will be made within twelve months of the acquisition date. The amounts of goodwill recognized as part of the purchase price allocation process were subject to an impairment test without there being any need for adjustments.

1,698 thousand euros of ancillary charges related to the acquisition were booked to the income statement under services, rentals and leases.

At 31 December 2017 the amount of the purchase price that has been paid, net of the cash acquired, amounts to 26,283 thousand euros.

30. Guarantees granted

At 31 December 2017, the Group has given sureties and other bank guarantees to customers totalling 37,376 thousand euros for the proper operation of machinery, bid bonds and advances not yet received, sureties to guarantee rental contracts for 6,956 thousand euros, sureties given by the Parent Company to third parties in connection with the sale of CMH Srl for 3,500 thousand euros and sureties in favour of others for 2,331 thousand euros.

The Parent Company has also given sureties and other guarantees (binding letters of patronage) to third parties on behalf of subsidiaries and associates, with respect to lines or credit or financing extended by banks and the payment of rental fees, as shown below:

in thousands of euros	31.12.2017	31.12.2016
Subsidiaries:		
CO.MA.DI.S S.p.A.	89	89
Corazza S.p.A.	18,325	15,925
Erca S.A.	5,898	6,798
Fillshape S.r.l.	6,715	2,615
GASTI Verpackungsmaschinen GmbH	—	1,052
GIMA S.p.A.	42,100	32,600
GIMA TT S.p.A.	37,824	29,364
G.S. Coating Technologies S.r.l.	1,000	1,100
Hamba Filltec GmbH & Co. KG	5,290	2,503
Hassia Verpackungsmaschinen GmbH	1,157	—
Ilapak Inc.	6,254	4,269
Ilapak International SA	14,854	13,931
Ilapak Italia S.p.A.	5,700	5,607
Ilapak Ltd.	2,254	1,168
Ilapak Sp. Z o.o.	5,746	1,927
Ilapak Verpackungsmaschinen GmbH	2,300	2,300
IMA Automation Malaysia Sdn. Bhd.	3,150	19
IMA Dairy & Food Holding GmbH	50,600	60,600
IMA EST GmbH	800	800
IMA Life (Beijing) Pharm. Systems Co. Ltd.	1,373	6,831
IMA Life Japan KK	741	810
IMA Life North America Inc.	7,375	29,409
IMA Automation USA Inc.	8,073	—
IMA Medtech Switzerland SA	14,783	15,830
IMA Pacific Co. Ltd.	5,551	1,856
IMA-PG India Pvt Ltd.	2,000	3,774
Mapster S.r.l.	1,500	n.a.
Pharmasiena Service S.r.l.	2,500	—
Revisioni Industriali S.r.l.	2,525	1,025
Società del Sole S.r.l.	1,000	1,000
Shanghai Tianyan Pharmaceutical Machinery Co. Ltd.	—	751
Teknoweb Converting S.r.l.	3,000	—
Telerobot S.p.A.	937	—
IMA Swiftpack Ltd.	3,438	3,563
	264,852	**247,516**
Associates:		
Doo Officina-Game East Vrsac	959	959
	959	**959**
Joint venture:		
CMRE S.r.l.	2,221	2,221
	2,221	**2,221**
Total	**268,032**	**250,696**

Guarantees totalling 30,000 thousand euros have also been given to leading banks in relation to the lines of credit shares by the Group's Italian subsidiaries.

Ilapak International SA provided guarantees to third parties in the interest of companies of the Ilapak Group of 4,642 thousand euros.

Lastly, note that sureties were issued against advances received from customers for a total of 127,923 thousand euros (146,668 thousand euros at 31 December 2016), of which 54,555 thousand euros mainly reflect the use of credit lines guaranteed by commitments on the part of the Parent Company, as shown in the above table.

31. Commitments

At 31 December 2017 there are commitments for the purchase of property, plant and equipment and intangible assets of 1,169 thousand euros relating principally to leasehold improvements and plant and machinery.

The Group has outstanding commitments of 3,227 thousand euros (3,364 thousand euros at 31 December 2016) for future minimum payments under irrevocable operating leases relating primarily to plant, machinery and vehicles (expiring as to 1,629 thousand euros within one year, 1,598 thousand euros between one and five years) and commitments under rental contracts of 144,787 thousand euros (143,885 thousand euros at 31 December 2016), of which 19,999 thousand euros fall due within one year, 69,017 thousand euros between one and five years and 55,771 thousand euros over five years.

Fees paid during the year for operating lease contracts and rentals were 21,587 thousand euros (20,547 thousand euros in the previous year).

Other commitments in favour of third parties, 8,623 thousand euros, mainly consist of the Parent Company’s agreement to buy further units of the mutual funds.

32. Related-party transactions

In compliance with current Consob regulations on Related Party transactions, from 2010 IMA S.p.A. adopted procedures to be followed by IMA and its subsidiaries when carrying out transactions with parties related to IMA. For further information please read the Report on operations.

At 31 December 2017 the Group holding company is IMA Industria Macchine Automatiche S.p.A., 57% owned by SO.FI.MA. S.p.A., which is in turn a subsidiary of Lopam Fin S.p.A.

The following companies form part of the domestic tax group: IMA S.p.A., CO.MA.DI.S. S.p.A., Corazza S.p.A., Packaging Manufacturing Industry S.r.l. and Revisioni Industriali S.r.l. as consolidated companies and SO.FI.MA. S.p.A. as the consolidating company.

As described earlier, intra-group transactions are a consequence of the organizational structure of the Group. Such transactions are carried out as part of ordinary operations on an arm’s-length basis.

In addition to intra-group transactions, the Group also conducts operations with other related parties, mainly parties controlling the Parent Company, or parties responsible for the administration and management of IMA S.p.A. or entities controlled by such parties.

The Board must give advance approval in its meetings for all transactions with related parties, including inter-company transactions, except for transactions carried out in the ordinary course of business on arm’s-length terms.

These transactions are mainly commercial and real estate operations (leased premises used by the Parent Company or the Group), as well as participation in the consolidated tax mechanism mentioned above.

Transactions with related parties are made at terms and conditions that are equivalent to normal market conditions.

The trade receivables and payables outstanding at year-end are not insured and do not bear interest.

The following table details the main transactions carried out with related parties:

in thousands of euros	Receivables at 31.12.2017	Receivables at 31.12.2016	Payables at 31.12.2017	Payables at 31.12.2016
Parent companies:				
Lopam Fin S.p.A.	3	—	—	56
SO.FI.M.A. S.p.A.	3,643	3,643	2,365	4,642
	3,646	**3,643**	**2,365**	**4,698**
Associates and joint venture:				
Amherst Stainless Fabrication LLC	545	822	180	22
Atopbi S.p.A.	15,761	n.a.	—	n.a.
B.C. S.r.l.	2,706	2,385	1,151	1,206
Bacciottini F.lli S.r.l.	757	651	5,881	5,810
Bolognesi S.r.l.	1,078	1,058	4,310	1,866
Brio Pharma Technologies Pvt. Ltd.	10	463	302	840
CMRE S.r.l.	6,238	5,653	—	—
Doo Officina-GAME East Vrsac	880	923	56	49
I.E.M.A. S.r.l.	3,221	3,672	19,136	17,012
Inkbit LLC	2,274	n.a.	—	n.a.
LA.CO S.r.l.	869	811	3,413	3,956
Logimatic S.r.l.	6,972	7,130	24,994	22,662
Masterpiece S.r.l.	19	11	717	561
Meccanica Sarti S.r.l.	1,214	1,213	600	529
Me. Mo. S.r.l.	1,000	n.a.	—	n.a.
MORC 2 S.r.l.	1,653	1,550	987	1,306
Petroncini Impianti S.p.A.	1,969	2,022	—	—
Plasticenter S.r.l.	n.a.	636	n.a.	6,208
Powertransmission.it S.r.l.	174	146	543	431
Scriba Nanotecnologie S.r.l.	171	170	62	47
SIL.MAC. S.r.l.	2,018	1,983	8,831	6,977
S.I.Me. S.r.l.	419	371	521	637
STA.MA. S.r.l.	119	109	1,587	1,356
Talea S.r.l.	4,693	3,615	6,389	3,342
Other associates	195	73	8	82
	54,955	**35,467**	**79,668**	**74,899**
Other related parties:				
Atop S.p.A.	521	n.a.	—	n.a.
Banca di Bologna	n.a.	462	n.a.	—
Costal S.r.l.	—	—	1,607	823
Datalogic Automation S.r.l.	—	—	179	324
EPSOL S.r.l.	593	264	4,656	4,179
Ipercubo S.r.l.	93	93	—	—
Morosina S.p.A.	—	—	—	244
Poggi & Associati	—	312	223	280
Rotor S.p.A.	370	n.a.	—	n.a.
Schiavina S.r.l.	280	311	—	—
Verniciatura Ozzanese S.r.l.	116	231	218	551
Other related parties	181	21	195	211
	2,154	**1,694**	**7,078**	**6,612**
Total	**60,755**	**40,804**	**89,111**	**86,209**

The following table details the main transactions carried out with related parties:

in thousands of euros	Revenues 2017	Revenues 2016	Costs 2017	Costs 2016
Associates and joint venture:				
Amherst Stainless Fabrication LLC	—	121	3,393	4,479
Atopbi S.p.A.	—	n.a.	416	n.a.
B.C. S.r.l.	321	333	5,170	4,997
Bacciottini F.lli S.r.l.	294	150	6,893	6,781
Bolognesi S.r.l.	182	144	5,056	5,479
Brio Pharma Technologies Pvt. Ltd.	—	6	1,203	1,364
CMRE S.r.l.	—	—	65	68
Doo Officina-Game East Vrsac	—	—	750	503
I.E.M.A. S.r.l.	2,979	3,391	20,444	17,193
LA.CO S.r.l.	178	204	3,672	4,116
Logimatic S.r.l.	4,846	4,999	30,036	26,126
Masterpiece S.r.l.	9	2	821	648
Meccanica Sarti S.r.l.	1	—	878	678
MORC 2 S.r.l.	255	219	2,094	3,564
Plasticenter S.r.l. (*)	574	146	4,679	5,656
Powertransmission.it S.r.l.	28	23	1,043	962
SIL.MAC. S.r.l.	1,607	1,619	10,502	7,608
S.I.Me. S.r.l.	48	—	1,369	1,358
STA.MA. S.r.l.	145	141	1,861	1,498
Talea S.r.l. (**)	1,596	1,423	5,131	2,429
Other Associates and joint venture	20	18	380	518
	13,083	**12,939**	**105,856**	**96,025**
Other related parties:				
Atop S.p.A.	561	n.a.	—	n.a.
Costal S.r.l.	—	—	2,541	1,443
Datalogic Automation S.r.l.	—	—	559	512
Galliani & Sistemi S.p.A.	—	—	1	2
EPSOL S.r.l.	857	707	4,874	4,019
Ipercubo S.r.l.	76	—	186	186
Lopam S.r.l.	—	—	520	516
Morosina S.p.A.	—	—	1,143	1,146
Nemo Investimenti S.r.l.	—	2	2,076	2,020
Stator S.p.A.	118	n.a.	—	n.a.
Verniciatura Ozzanese S.r.l.	3	2	529	657
Other related parties	26	17	377	391
	1,641	**728**	**12,806**	**10,892**
Total	**14,724**	**13,667**	**118,662**	**106,917**

(*) The amounts relate to the period January/November 2017
(**) The amounts relate to the period July/December 2016

These transactions relate primarily to the Group's Italian companies.

Transactions with associates are largely of a commercial nature. See Note 4 for further information.

Relations with EPSOL S.r.l. relate to the design and production of plant for automated machines; the relations with Lopam S.r.l., Nemo Investimenti S.r.l. and Ipercubo S.r.l. essentially relate to the rental of real estate.

The table below provides a summary of the balance sheet including transactions with related parties and the percentage impact:

in thousands of euros	Total at 31.12.2017	Of which related parties	% impact	Total at 31.12.2016	Of which related parties	% impact
Balance sheet:						
Tangible and intangible assets	457,254	4,496	1.0%	420,948	1,490	0.4%
Investments and financial assets	45,294	36,928	81.5%	30,152	18,956	62.9%
Other non-current assets	71,312	93	0.1%	68,150	93	0.1%
NON-CURRENT ASSETS	573,860	41,517	7.2%	519,250	20,539	4.0%
Trade and other receivables	389,332	11,895	3.1%	359,421	14,500	4.0%
Financial assets	17,946	3,700	20.6%	9,567	1,660	17.4%
Cash and cash equivalents	206,681	—	—	201,081	462	0.2%
Income tax receivables	9,396	3,643	38.8%	7,985	3,643	45.6%
Other current assets	309,866	—	—	279,127	—	—
CURRENT ASSETS	933,221	19,238	2.1%	857,181	20,265	2.4%
TOTAL ASSETS	**1,507,081**	**60,755**	**4.0%**	**1,376,431**	**40,804**	**3.0%**
SHAREHOLDERS' EQUITY	390,524			270,184		
Borrowings	167,480	—	—	221,186	—	—
Other non-current liabilities	160,512	—	—	148,300	—	—
NON-CURRENT LIABILITIES	327,992	—	—	369,486	—	—
Borrowings	108,459	—	—	93,538	—	—
Trade and other payables	635,739	86,746	13.6%	596,753	81,567	13.7%
Income tax liabilities	11,574	2,365	20.4%	14,418	4,642	32.2%
Other current liabilities	32,793	—	—	32,052	—	—
CURRENT LIABILITIES	788,565	89,111	11.3%	736,761	86,209	11.7%
TOTAL LIABILITIES AND EQUITY	**1,507,081**	**89,111**	**5.9%**	**1,376,431**	**86,209**	**6.3%**

The increase in trade payables to associates reflects the Group's constant commitment in pursuing close collaboration with those suppliers that play a key role in production, also by considering the possibility of becoming shareholders in their companies.

The table below provides a summary of the income statement including transactions with related parties and the percentage impact:

in thousands of euros	2017	Of which related parties	% impact	2016	Of which related parties	% impact
Income statement:						
Revenue	1,444,730	10,658	0.7%	1,310,846	10,216	0.8%
Other income	28,323	1,681	5.9%	22,747	1,543	6.8%
Cost of raw materials and goods	(540,770)	(72,632)	13.4%	(520,625)	(70,642)	13.6%
Cost of services and leases	(328,140)	(44,578)	13.6%	(285,775)	(35,510)	12.4%
Other operating costs	(438,925)	(379)	0.1%	(385,852)	(404)	0.1%
OPERATING PROFIT	**165,218**			**141,341**		
Net financial income	27,062	31	0.1%	36,236	26	0.1%
Net financial expense	(42,977)	—	—	(29,950)	(5)	—
FINANCIAL INCOME AND EXPENSE	**(15,915)**			**6,286**		
PROFIT (LOSS) FROM INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD	**1,281**	1,281	100.0%	**1,526**	1,526	100.0%
Taxes	(51,159)	—	—	(47,761)	—	—
PROFIT FOR THE YEAR	**99,425**			**101,392**		

The table does not include the remuneration paid to directors, statutory auditors and managers with strategic responsibilities, which are detailed in the following paragraph.

Note that during 2017 there were no “more relevant transactions”, as defined in the Consob regulation, no individual Related Party transactions that could have had a significant influence over the companies’ balance sheet or results and no changes or developments in Related Party transactions explained in the last annual report that could have had a significant influence over the companies’ balance sheet or results.

Remuneration of Directors, Statutory Auditors and Managers with Strategic Responsibilities

We provide information concerning the remuneration paid. for any reason and in any form, to directors, statutory auditors of the Parent Company for carrying out their duties in other companies included in the consolidation:

in thousands of euros	2017	2016
Directors	8,744	9,244
Statutory Auditors	95	129
Total	**8,839**	**9,373**

The amount due to Directors includes fees for professional services as detailed in the Remuneration Report.

The following table reports the fees paid, for any reason and in any form, by the Company and by other Group companies to managers with strategic responsibilities:

in thousands of euros	2017	2016
Short-term benefits	2,805	3,655
Long-term benefits	1,069	900
Post-employment benefits	280	128
Fees for positions	6,609	6,856
Total	**10,763**	**11,539**

The managers with strategic responsibilities include three members of IMA’s Board of Directors.

The details of remuneration paid to directors, statutory auditors and managers with strategic responsibilities is shown in the Remuneration Report.

33. Significant non-recurring transactions and events

Consob Communication DEM/6064293 of 28 July 2006 requires disclosures on significant events and transactions that are not recurring; in other words, on transactions or events that do not occur in the ordinary course of business.

During 2017, non-recurring charges classified under Personnel costs principally relate to the reorganisation of the Dairy&Food business and to ancillary charges on the acquisitions of the year; these charges have been booked to Cost of raw, ancillary and consumable materials and goods for resale for 570 thousand euros, Personnel costs for 3,423 thousand euros, Services, rentals and leases for 8,709 thousand euros, Provisions for risks and charges for 253 thousand euros and Other operating costs for 290 thousand euros.

In 2016, non-recurring charges were shown under Cost of raw, ancillary and consumable materials and goods for resale for 840 thousand euros, Personnel costs for 2,444 thousand euros and Services, rentals and leases for 2,641 thousand euros.

34. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

No significant atypical and/or unusual transactions or positions are reported.

35. SIGNIFICANT EVENTS AFTER THE CLOSE OF THE PERIOD

In January 2018 GIMA S.p.A., a subsidiary of IMA S.p.A., acquired the other 24% of the investment in IMA Automation Malaysia Sdn. Bhd. for 2,000 thousand Swiss francs, following the exercise of the option provided in the agreement.

H) EQUITY INVESTMENTS INCLUDED IN THE SCOPE OF CONSOLIDATION AND METHOD USED

Companies consolidated line-by-line	Registered office		Share capital	Currency	Direct investment	Indirect investment
Industrial and service companies:						
- I.M.A. Industria Macchine Automatiche S.p.A.	Ozzano dell'Emilia	Bologna – Italy	20,415,200	EUR	Parent company	
- CO.MA.DI.S. S.p.A.	Senago	Milan – Italy	1,540,000	EUR	100%	—
- Corazza S.p.A.	Bologna	Bologna – Italy	15,675,000	EUR	100%	—
- Eurosicma – Costruzioni Macchine Automatiche S.p.A.	Milan	Milan – Italy	700,000	EUR	100%(1)	—
- Eurotekna S.r.l.	Milan	Milan – Italy	32,243	EUR	—	85,71%(2)
- Fillshape S.r.l.	Zola Predosa	Bologna – Italy	100,000	EUR	—	80%(3)
- GIMA S.p.A.	Zola Predosa	Bologna – Italy	1,000,000	EUR	100%	—
- GIMA TT S.p.A.	Ozzano dell'Emilia	Bologna – Italy	440,000	EUR	60.084%	—
- G.S. Coating Technologies S.r.l.	Castel San Pietro T.	Bologna – Italy	100,000	EUR	100%	—
- Ilapak Italia S.p.A.	Foiano della Chiana	Arezzo – Italy	4,074,000	EUR	—	81%(4)
- Mapster S.r.l.	Parma	Parma – Italy	10,000	EUR	—	80%(3)
- O.A.SYS. Open Automation System S.r.l.	Segrate Milan	Milan – Italy	20,800	EUR	—	70%(2)
- Pharmasiena Service S.r.l.	Siena	Siena – Italy	100,000	EUR	70%	—
- Revisioni Industriali S.r.l.	Ozzano dell'Emilia	Bologna – Italy	100,000	EUR	—	100%(5)
- Teknoweb Converting S.r.l.	Palazzo Pignano	Cremona – Italy	1,000,000	EUR	100%(6)	—
- Telerobot S.p.A.	Genoa	Genoa – Italy	50,000	EUR	—	100%(3)
- Benhil GmbH	Neuss	Germany	5,500,000	EUR	—	100%(7)
- Delta Systems & Automation Inc.	Lowell	USA	1,000	USD	—	81%(8)
- Erca S.A.	Les Ulis	France	2,594,390	EUR	—	100%(7)
- Erca-Formseal Ibérica S.A.	Castelldefels Barcelona	Spain	60,101	EUR	—	100%(9)
- GASTI Verpackungsmaschinen GmbH	Schwäbisch Hall	Germany	25,000	EUR	—	100%(7)
- Hamba Filltec GmbH & Co. KG	Saarbrücken	Germany	1,700,000	EUR	—	100%(7)(21)
- Hassia Packaging Pvt. Ltd.	Taluka Shirur Pune	India	42,000,000	INR	—	100%(7)
- Hassia Verpackungsmaschinen GmbH	Ranstadt	Germany	2,100,000	EUR	—	100%(10)
- Ilapak International SA	Collina d'Oro Lugano	Switzerland	4,000,000	CHF	—	81%(11)
- Ilapak (Beijing) Packaging Machinery Co. Ltd.	Beijing	PRC	3,000,000	USD	—	81%(12)
- IMA Automation Malaysia Sdn. Bhd.	Penang	Malaysia	3,000,000	MYR	—	100%(3)
- IMA Automation USA Inc.	Loves Park	USA	10,610,000	USD	—	100%(13)
- IMA Life (Beijing) Pharmaceutical Systems Co. Ltd.	Beijing	PRC	400,000	USD	100%	—
- IMA Life North America Inc.	Tonawanda	USA	100	USD	—	100%(13)
- IMA Life The Netherlands B.V.	Dongen	The Netherlands	22,382,654(*)	EUR	100%	—
- IMA MAI S.A.	Mar del Plata	Argentina	632,980	ARS	100%(14)	—
- IMA Medtech Switzerland SA	La Chaux de Fonds	Switzerland	13,250,000	CHF	—	100%(3)
- IMA North America Inc.	Leominster	USA	8,052,500	USD	—	100%(13)
- IMA-PG India Pvt. Ltd.	Mumbai	India	17,852,100(*)	INR	100%	—
- IMA Swiftpack Ltd.	Alcester	UK	1,403,895	GBP	100%	—
- Shanghai Tianyan Pharmaceutical Mach. Co. Ltd.	Shanghai	PRC	5,250,000	RMB	—	86.29%(15)
- Tianjin IMA Machinery Co. Ltd.	Tianjin	PRC	200,000	USD	100%	—

Companies consolidated line-by-line	Registered office		Share capital	Currency	Direct investment	Indirect investment
Commercial companies:						
- Ilapak do Brasil Maquinas de embalagem Ltda.	Sao Paulo	Brazil	7,345,215(*)	BRL	—	81%(11)
- Ilapak France SA	Lognes Paris	France	105,130	EUR	—	81%(4)
- Ilapak Inc.	Newtown	USA	12,500	USD	—	81%(4)
- Ilapak Israel Ltd.	Caesarea	Israel	5,310,505	ILS	—	81%(4)
- Ilapak Ltd.	Uxbridge London	UK	795,536	GBP	—	81%(4)
- Ilapak SNG OOO	Moscow	Russia	1,785,700	RUB	—	81%(4)
- Ilapak Sp. Z o.o.	Krakow	Poland	3,740,400	PLN	—	81%(4)
- Ilapak Verpackungsmaschinen GmbH	Haan Düsseldorf	Germany	102,500	EUR	—	81%(4)
- IMA Dairy & Food USA Inc.	Leominster	USA	1	USD	—	100%(7)
- IMA Est GmbH	Vienna	Austria	280,000	EUR	100%	—
- IMA France E.u.r.l.	Rueil Malmaison	France	45,735	EUR	100%	—
- IMA Fuda (Shanghai) Packaging Machinery Co. Ltd.	Shanghai	PRC	6,000,000	RMB	80%	—
- IMA Germany GmbH	Cologne	Germany	90,000	EUR	100%	—
- IMA Iberica Processing and Packaging S.L.	Barcelona	Spain	590,000	EUR	100%	—
- IMA Industries GmbH	Aschaffenburg	Germany	100,000	EUR	100%	—
- IMA Industries North America Inc.	Leominster	USA	—	USD	—	100%(13)
- IMA Life Japan KK	Tokyo	Japan	40,000,000	YEN	—	100%(16)
- IMA Pacific Co. Ltd.	Bangkok	Thailand	132,720,000	THB	99.99%	—
- IMA Packaging & Processing Equip. (Beijing) Co. Ltd.	Beijing	PRC	2,350,000	USD	100%	—
- IMA UK Ltd.	Alcester	UK	1	GBP	—	100%(17)
- Imautomatiche Do Brasil Ltda.	Sao Paulo	Brazil	6,651,550	BRL	99.98%	—
- OOO IMA Industries	Moscow	Russia	12,000,000	RUB	—	100%(5)
- Teknoweb N.A. Llc	Loganville Atlanta	USA	56,000	USD	—	75%(18)
- Teknoweb Suisse Sagl (in liquidation)	Mendrisio	Switzerland	40,000	CHF	—	100%(19)

(*) The nominal share capital of IMA-PG India Pvt Ltd., Ilapak do Brasil Ltda. and IMA Life The Netherlands B.V. amounts to Inr 20,000,000, Brl 7,595,215 and Eur 45,400,000 respectively.

Companies consolidated line-by-line (continued)	Registered office		Share capital	Currency	Direct investment	Indirect investment
Financial companies:						
- Packaging Systems Holdings Inc.	Wilmington	USA	1,000	USD	100%	—
- IMA Dairy & Food Holding GmbH	Stutensee	Germany	25,000	EUR	100%	—
- Tekno NA Inc.	Atlanta	USA	50,000	USD	—	100%(19)
- Transworld Packaging Holding S.p.A.	Ozzano dell'Emilia	Bologna – Italy	64,833	EUR	81%	—
Other companies:						
- Digidoc S.r.l.	Ozzano dell'Emilia	Bologna – Italy	10,000	EUR	—	80%(20)
- Dreamer S.r.l.	Bologna	Bologna – Italy	100,000	EUR	—	90%(3)
- Hamba Verwaltungsgesellschaft mbH	Saarbrücken	Germany	25,000	EUR	—	100%(7)
- Ilapak China Ltd. (in liquidation)	Hong Kong	PRC	13	USD	—	81%(4)
- Packaging Manufacturing Industry S.r.l.	Castenaso	Bologna – Italy	110,000	EUR	100%	—
- Società del Sole S.r.l.	Ozzano dell'Emilia	Bologna – Italy	10,000	EUR	100%	—

Notes:

(1) The percentage interest held in Eurosicma – Costruzioni Macchine Automatiche S.p.A. includes an option to purchase 40% of the quota capital
(2) Held by Eurosicma – Costruzioni Macchine Automatiche S.p.A.
(3) Held by GIMA S.p.A. The percentage interest held in Telerobot S.p.A. and IMA Automation Malaysia Sdn. Bhd includes an option to purchase 25% and 24% of the quota capital respectively
(4) Held by Ilapak International SA at 100% except llapak France SA held at 99.99%
(5) Held by Corazza S.p.A.
(6) The percentage interest held in Teknoweb Converting S.r.l. includes an option to purchase 40% of the quota capital

(7) Held by IMA Dairy & Food Holding GmbH
(8) Held by Ilapak Inc. at 100%
(9) Held by Erca S.A.
(10) Held by IMA Dairy & Food Holding GmbH at 94% and by IMA Germany GmbH at 6%
(11) Held by Transworld Packaging Holding S.p.A. at 100%
(12) Held by Ilapak Italia S.p.A. at 100%
(13) Held by Packaging Systems Holdings Inc.
(14) The percentage interest held in IMA MAI S.A. includes an option to purchase 30% of the quota capital
(15) Held by IMA Life (Beijing) Ph. Systems Co. Ltd.
(16) Held by IMA Life The Netherlands B.V.
(17) Held by IMA Swiftpack Ltd.
(18) Held by Tekno NA Inc. at 75%
(19) Held by Teknoweb Converting S.r.l. at 100%
(20) Held by Packaging Manufacturing Industry S.r.l.
(21) Company takes the exemption in accordance with § 264b HGB (German Commercial Code)

Investments accounted for using the equity method	Registered office		Share capital	Currency	Direct investment
Industrial and service companies:					
- Amherst Stainless Fabrication LLC	Amherst NY	USA	1,100,000	USD	20%(1)
- Atopbi S.p.A.	Milan	Milan – Italy	249,400	EUR	25%
- B.C.S.r.l.	Imola	Bologna – Italy	36,400	EUR	30%
- Bacciottini F.lli S.r.l.	Oste Montemurlo	Prato – Italy	60,000	EUR	30%(2)
- Bolognesi S.r.l.	Dozza	Bologna – Italy	10,920	EUR	30%(2)
- Brio Pharma Technologies Pvt. Ltd.	Mumbai	India	1,000,000	INR	30%
- CAIMA S.r.l.	Monghidoro	Bologna – Italy	10,000	EUR	20%(2)
- CMRE S.r.l.	Bologna	Bologna – Italy	50,000	EUR	50%
- Consorzio L.I.A.M.	Vignola	Modena – Italy	25,000(3)	EUR	25%
- Doo Officina-Game East Vrsac	Vrsac	Serbia	130,474,863	RSD	49%(2)
- FID S.r.l. Impresa Sociale	Bologna	Bologna – Italy	20,000	EUR	30%
- I.E.M.A. S.r.l.	S.Giorgio di Piano	Bologna – Italy	100,000	EUR	30%(2)
- Inkbit LLC	Delaware	USA	2,407	USD	20%
- LA.CO S.r.l.	Ozzano dell'Emilia	Bologna – Italy	30,000	EUR	30%(2)
- Logimatic S.r.l.	Ozzano dell'Emilia	Bologna – Italy	120,000	EUR	29.17%(2)
- Masterpiece S.r.l.	Ozzano dell'Emilia	Bologna–Italy	10,000	EUR	30%(2)
- Meccanica Sarti S.r.l.	Bologna	Bologna – Italy	102,000	EUR	30%(2)
- Me.Mo S.r.l	Gaggio Montano	Bologna – Italy	10,000	EUR	20%(2)
- MORC 2 S.r.l.	Faenza	Ravenna –Italy	20,800	EUR	20%(2)
- Petroncini Impianti S.p.A.	Modena	Modena – Italy	120,000	EUR	49%(4)
- Powertransmission.it S.r.l.	Castenaso	Bologna – Italy	50,000	EUR	20%(2)
- Scriba Nanotecnologie S.r.l.	Bologna	Bologna – Italy	25,556	EUR	24.9%
- SIL.MAC. S.r.l.	Gaggio Montano	Bologna – Italy	90,000	EUR	30%(2)
- S.I.Me. S.r.l.	Granarolo dell'Emilia	Bologna – Italy	100,000	EUR	49%(2)
- STA.MA. S.r.l.	Ozzano dell'Emilia	Bologna – Italy	10,400	EUR	30%(2)
- Talea S.r.l.	Castel Guelfo	Bologna – Italy	25,000	EUR	20%(2)
- Sirio S.p.A. Associazione in partecipazione (5)	Milan	Milan – Italy			

Notes:

(1) Held by IMA Life North America Inc.
(2) Held by Packaging Manufacturing Industry S.r.l.
(3) Shares in the consortium fund
(4) Held by GIMA S.p.A.
(5) Agreement signed in the last quarter of 2007 for the management of an aircraft

I) DISCLOSURE REQUIRED UNDER ARTICLE 149-DUODECIES OF THE CONSOB ISSUERS' REGULATION

The following table shows the amounts of audit fees and fees for other services in 2017; these refer to the preliminary analyses carried out by the auditors on the process set up by IMA S.p.A. for the preparation of the non-financial report required by Directive 2014/95/EU and its adoption in Italian law (Legislative Decree 254/2016) for the 2016 reporting year; additional activities regarding verification of the opening balances of Eurosicma S.p.A.; assistance provided during the listing of GIMA TT S.p.A.; tax advisory and due diligence services rendered by the auditors:

in thousands of euros	Service rendered by	To	Fees
Audit	EY S.p.A.	Parent Company IMA S.p.A.	305
	EY S.p.A.	Subsidiary companies	598
	EY network	Subsidiary companies	313
Other services rendered in connection with the review	EY S.p.A.	Parent Company IMA S.p.A.	14
	EY S.p.A.	Subsidiary companies	21
	EY network	Subsidiary companies	200
Other services	EY network	Subsidiary companies	335
Total			**1,786**

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS AMENDED

(The consolidated financial statements have been translated from the original Italian into English solely for the convenience of international readers)

Certification of the consolidated financial statements pursuant to Art. 81-ter of Consob Regulation no. 11971 of 14 May 1999, as amended

The undersigned, Alberto Vacchi, Chairman and Managing Director, and Sergio Marzo, the executive responsible for preparing the financial reports of I.M.A. Industria Macchine Automatiche S.p.A. certify, having regard for the requirements of Art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:

- the appropriateness with regard to the characteristics of the Company and
- the effective application of the administrative and accounting procedures in preparing the consolidated financial statements for the period January-December 2017

It is also certified that:

1) the consolidated financial statements:

a) have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002;

b) correspond to the entries in the accounting books and records;

c) provide a true and fair view of the performance and financial position of the issuer and the companies included in the scope of consolidation.

2) the report on operations includes a reliable analysis of the business and the performance and financial position of the issuer and the companies included in the scope of the consolidation, together with a description of the risks and uncertainties to which they are exposed.

Ozzano dell'Emilia (Bologna), 14 March 2018

Managing Director	Manager responsible for preparing financial reports
Alberto Vacchi	Sergio Marzo

REPORT OF THE INDEPENDENT AUDITORS
AT 31 DECEMBER 2017

(THE CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN TRANSLATED FROM THE ORIGINAL ITALIAN INTO ENGLISH SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS)

I.M.A. Industria Macchine Automatiche S.p.A.

Consolidated financial statements at December 31, 2017

Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated January 27, 2010, and article 10 of EU Regulation n. 537/2014

EY S.p.A.
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40123 Bologna

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ey.com

Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
I.M.A. Industria Macchine Automatiche S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of I.M.A. Industria Macchine Automatiche S.p.A. and its subsidiaries ("I.M.A. Group" or "Group"), which comprise the statement of financial position at December 31, 2017, the income statement, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at December 31, 2017, and the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued to implement article 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of I.M.A. Industria Macchine Automatiche S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters.

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Key Audit Matters | **Audit Responses**

Valuation of goodwill

At December 31, 2017 the carrying amount of goodwill, reported in line item Intangible Assets of the financial statements, amounts to Euro 191.6 million allocated to different Cash Generating Units (CGUs) which are tested for impairment annually, or more frequently if indications of impairment exist.

The processes and methodologies applied to evaluate and determine the recoverable amount of each CGU, in terms of value in use, are based on assumptions that are in some cases complex and that, due to their nature, imply the use of management's judgment, in particular with reference to the forecasted cash flows for the period 2018-2020, the normalized cash flows used to estimate terminal value and the discount and long term growth rates applied.

Considering the level of judgment and complexity of the assumptions applied in estimating the recoverable amount of goodwill, we determined that this item represents a key audit matter.

The disclosures relating to the valuation of construction contracts are included in note 3 "*Intangible assets"* of the financial statements, as well as in section *C)* "*Accounting policies and principles*" under paragraphs "*Intangible assets*", "*Impairment of assets*" and "*Use of estimates and assumptions*".

Our audit procedures relating to this key audit matter included, among others:

- assessing the processes and key controls implemented by the Group in relation to the valuation of goodwill;
- validating the proper identification of the CGUs by management and the allocation of the carrying values of assets and liabilities to each CGU;
- assessing the cash flow forecasts;
- validating the allocation of the forecasted cash flows to each CGU in the Group business plan for the period 2018-2020;
- assessing the accuracy of the cash flow forecasts as compared to the historical cash flows of the prior years;
- assessing long-term growth rates and discount rates.

In our analysis we involved EY valuation specialists who performed their independent valuation and sensitivity analyses on key assumptions to determine any changes that could materially impact the valuation of the recoverable amount.

Finally, we verified the adequacy of the disclosures provided in the notes to the financial statements in relation to the valuation of goodwill.

Revenue recognition and valuation of construction contracts

The financial statements report Euro 696.9 million revenue from construction contracts in addition to assets and liabilities, related to the completed portion of such contracts, net of advances received, of Euro 156.9 million and Euro 14.9 million, respectively at the reporting date.

Revenue and margins from construction contracts are recognized on the stage-of-completion basis applying the "cost-to-cost method" which is based on the proportion of costs incurred on work performed to date with respect to the estimated total costs to complete the contract.

Our audit procedures in response to the key audit matter included, among others:

- the assessment of the procedures and controls performed by the Group during the planning and monitoring of construction contracts, including the verification of the criteria for revenue recognition;
- the analysis, with reference to key projects, of the main assumptions used in forecasting total costs to complete the contracts and to determine total revenue, review of the project progress reports, interview of the project managers and review of the contractual documentation;

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Key Audit Matters	Audit Responses
The procedures for revenue recognition procedures and for the valuation of construction contracts in certain cases depend on complex assumptions, which require management's judgment, in particular with reference to the estimated costs to complete each project and changes in estimates compared to the previous year, if any. These changes could be influenced by multiple factors such as, for example, the time frame required to develop and complete the projects, the high technological and innovative content, the possible presence of price variances and price adjustments, the performance guarantees of the machines, including the estimation of contractual risks, if any. We considered that this item represents a key audit matter based on the economic and financial importance of construction contracts and on the complexity of the assumptions used in forecasting total costs of the construction contracts, in addition to the potential impact of the changes in estimates. The disclosures relating to revenue recognition and valuation of construction contracts are included in notes 10 "*Trade receivables and other receivables*" of the financial statements, as well as in section *C)* "*Accounting policies and principles*" under paragraphs "*Contract work*" and "*Use of estimates and assumptions*	• the comparative analysis of the main changes in contracts results compared to the original budget or to the previous year estimates; • the critical review of the assumptions that required significant management judgments, such as, for example, those relating to the forecasting of costs related to projects with high technological and innovative content; • the execution of substantive procedures on contract costs on a sample basis; • the verification of the mathematical accuracy of the calculation of the projects' percentage of completion. Finally, we verified the adequacy of the disclosures provided in the notes to the financial statements in relation to revenue recognition and to the valuation of construction contracts.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the parent company I.M.A. Industria Macchine Automatiche S.p.A. or to cease operations, or has no realistic alternative but to do so.

The Board of Statutory Auditors ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provided those charged with governance with a statement that we complied with the ethical and independence requirements applicable in Italy, and we communicated to them any circumstances that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional Information Pursuant to Article 10 of EU Regulation n. 537/14

The shareholder of I.M.A. Industria Macchine Automatiche S.p.A., in the general meeting held on April 24, 2013, engaged us to perform the audits of the consolidated financial statements of each years ending December 31, 2013 to December 31, 2021.

We declare that we did not provide any prohibited non-audit services, referred to in article 5, paragraph 1, of EU Regulation n. 537/2014, and that we remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to Board of Statutory Auditors (Collegio Sindacale) in its capacity as audit committee, prepared in accordance with article 11 of the EU Regulation n. 537/2014.

Report on Compliance with Other Legal and Regulatory Requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998[1]

The Directors of I.M.A. Industria Macchine Automatiche S.p.A. are responsible for the preparation of the Report on Operation and of the Report on Corporate Governance and Ownership Structure of I.M.A. Group at December 31, 2017, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998, with the consolidated financial statements of I.M.A. Group at December 31, 2017 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operation and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of I.M.A. Group at December 31, 2017 and comply with the applicable laws and regulations.

With reference to the statement required by article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement Pursuant to Article 4 of Consob Regulation Implementing Legislative Decree n. 254, dated December 30, 2016

The Directors of I.M.A. Industria Macchine Automatiche S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated December 30, 2016. We have verified that non-financial information have been approved by Directors.

1 The Report on Operations and of the Report on Corporate Governance and Ownership Structure of I.M.A. Group at December 31, 2017 are not included in this Offering Memorandum

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated December 30, 2016, such non-financial information are subject to a separate compliance report signed by us.

Bologna, March 28, 2018
EY S.p.A.
Signed by: Alberto Rosa, Partner

This report has been translated into the English language solely for the convenience of international readers.

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