Offering Memorandum

Not for General Distribution
in the United States of America

Design Holding | Flos | Louis Poulsen | B&B Italia
Maxalto | Azucena | Arclinea

International Design Group S.p.A.
€470,000,000 Senior Secured Floating Rate Notes due 2026

International Design Group S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of Italy (the "**Issuer**"), is offering €470,000,000 aggregate principal amount of its Senior Secured Floating Rate Notes due 2026 (the "**Notes**").

The Notes will mature on May 15, 2026. The Issuer will pay interest on the Notes at a rate equal to three-month EURIBOR (with 0% floor) plus 4.25% per year, reset quarterly. Interest will be paid on the Notes quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, beginning on August 15, 2021. Prior to May 15, 2022, the Issuer will be entitled, at its option, to redeem all or, from time to time, a portion of the Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus a "make-whole" premium. At any time on or after May 15, 2022, the Issuer may redeem all or part of the Notes at a redemption price equal to 100% of the principal amount thereof, 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.

Pending consummation of the acquisition of YDesign Group, LLC (the "**Target**" or "**YDesign**") by a wholly-owned subsidiary of the Issuer (the "**Acquisition**"), as further described in this offering memorandum (the "**Offering Memorandum**"), the Initial Purchasers (as defined herein) will, concurrently with the issuance of the Notes on the Issue Date (as defined herein), deposit €150.0 million of gross proceeds from the offering of the Notes into an escrow account, in the name of the Issuer. The escrow account will be controlled by JPMorgan Chase Bank, N.A. (the "**Escrow Agent**") and pledged in favor of the Trustee (as defined herein) on behalf of the holders of the Notes. The release of the escrowed proceeds from the escrow account will be subject to the satisfaction of certain conditions, including the completion of the Acquisition pursuant to the terms of the Acquisition Agreement (as defined herein) within two Business Days following the escrow release. If the conditions to the release of the escrowed proceeds have not been satisfied on or prior to the Escrow Longstop Date (as defined herein), the Issuer will be required to redeem Notes with an aggregate issue price equal to €150.0 million at a redemption price equal to the issue price of such Notes plus accrued and unpaid interest from the Issue Date to but excluding such special mandatory redemption date and additional amounts, if any. The redeemed Notes shall be selected pro rata for redemption from all of the Notes. See "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*".

The Notes will be senior secured obligations of the Issuer and, within 20 Business Days from the Issue Date, will be guaranteed on a senior basis by the Initial Guarantors (as defined herein). Within 90 days following the Completion Date (as defined herein), the Notes will be guaranteed on a senior basis by the U.S. Guarantors (as defined herein). The Notes Guarantees (as defined herein) will be subject to certain agreed security principles and certain material limitations pursuant to applicable laws as described under "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*". See also "*Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral—The Notes Guarantees and the 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*". As of the Issue Date, the Notes will be secured on a first-ranking basis by the Escrow Charge. In addition, subject to certain agreed security principles and certain material limitations pursuant to applicable laws, the Notes will be secured on a first-ranking basis, within five Business Days from the Issue Date, by the Initial Collateral (as defined herein), within 20 Business Days from the Issue Date, by the Post Issue Date Collateral (as defined herein) and, within 90 days from the Completion Date, by the Post Completion Date Collateral. The Collateral (as defined herein) also secures or will secure, as applicable, on a first-ranking basis the Existing Notes and the Revolving Credit Facility (each as defined herein) and certain hedging obligations (if any). Under the terms of the Intercreditor Agreement (as defined herein), the holders of Notes will only receive proceeds from the enforcement of the Collateral after the lenders under the Revolving Credit Facility and counterparties to certain super priority hedging obligations (if any) have been repaid in full.

Subject to and as set forth in "*Description of Notes—Additional Amounts*", the Issuer will not be liable to pay any additional amounts to holders of the 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), and any implementing regulations ("**Decree No. 239**") or Italian Legislative Decree No. 461 of November 21, 1997 (as as the same may be amended or supplemented from time to time), and any implementing regulations ("**Decree No. 461**") if the Notes are held by a person resident in a country that is not included in the list issued under Article 11(4)(c) of Decree No. 239, and otherwise in the circumstances as described in "*Description of Notes—Additional Amounts*".

There is currently no public market for the Notes. We have applied to have the Notes listed on the Official List of the Luxembourg Stock Exchange (the "**LuxSE**") and traded on the LuxSE's Euro MTF market (the "**Euro MTF Market**"). This offering memorandum constitutes a prospectus for the purpose of Part IV of the Luxembourg law on prospectuses for securities dated July 16, 2019.

The Notes will be represented on issue by one or more Global Notes (as defined herein) and the Initial Purchasers (as defined herein) expect to deliver the Notes in book-entry form through Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream**") on or about May 19, 2021 (the "**Issue Date**").

Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 38.

Price for the Notes: 100.00% plus accrued interest, if any, from the Issue Date.

The Notes and the Notes Guarantees have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the laws of any other jurisdiction. The Notes will only be offered or sold within the United States to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the U.S. Securities Act ("Rule 144A") and to persons who are not U.S. persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act ("Regulation S"). You are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. See "*Notice to Prospective U.S. Investors*" and "*Transfer Restrictions*" for additional information about eligible offerees and transfer restrictions.

Global Coordinators and Joint Bookrunners

J.P. Morgan **Goldman Sachs Bank Europe SE** **UniCredit**

The date of this Offering Memorandum is May 19, 2021.

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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 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 or any of the Initial Purchasers is making an offer of the Notes in any jurisdiction where such 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

This Offering Memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. 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 that apply to you in any place in which you buy, offer or sell any Notes or possess this Offering Memorandum. You must also obtain any consents or approvals that you need in order to purchase any Notes. Neither the Issuer ("**we**" or "**us**") nor any of J.P. Morgan AG, Goldman Sachs Bank Europe SE and UniCredit Bank AG (together, the "**Initial Purchasers**") are responsible for your compliance with these legal requirements. See also "*Notice to Prospective U.S. Investors*", "*Notice to Certain European Investors*" and "*Plan of Distribution*".

You should base your decision to invest in the Notes solely on information contained in this Offering Memorandum. Neither we nor the Initial Purchasers have authorized anyone to provide you with different information. In addition, neither we nor the Initial Purchasers nor any of our or their respective representatives are providing you with any legal, business, tax or other advice in this Offering Memorandum. You should consult with your own advisors as needed to assist you in making your investment decision and to advise you whether you are legally permitted to purchase the Notes.

This Offering Memorandum contains summaries believed to be accurate with respect to certain documents, but reference should be made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of certain of the documents referred to herein will be made available to prospective investors upon request to us.

None of the Initial Purchasers nor any employee or affiliate of the Initial Purchasers has authorized the contents or circulation of this Offering Memorandum. Accordingly, none of the Initial Purchasers, the trustee or any other agent or any of their respective directors, officers, employees, affiliates or advisors 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.

By receiving this Offering Memorandum, you acknowledge that you have not relied on the Initial Purchasers or their respective directors, affiliates, agents or advisors in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes. By purchasing the Notes, you will be deemed to have acknowledged that you have reviewed this Offering Memorandum and have had an opportunity to request, and have received all additional information that you need from us. No person is authorized in connection with any offering made by this Offering Memorandum to give any information or to make any representation not contained in this Offering Memorandum or any pricing term sheet or supplement and, if given or made, any other information or representation must not be relied upon as having been authorized by us or the Initial Purchasers.

The information contained in this Offering Memorandum is as of the date hereof. Neither the delivery of this Offering Memorandum at any time after the date of publication nor any subsequent commitment to purchase the Notes shall, under any circumstances, create an implication that there has been no change in the information set out in this Offering Memorandum or in our business since the date of this Offering Memorandum. 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.

The Issuer has prepared this Offering Memorandum solely for use in connection with the offer of the Notes and the Notes Guarantees to qualified institutional buyers under Rule 144A and to persons who are not U.S. persons (within the meaning of Regulation S) outside the United States. You should read this Offering Memorandum before making a decision whether to purchase any Notes.

By accepting delivery of this Offering Memorandum, you agree to the foregoing restrictions and agree not to use any information herein for any purpose other than considering an investment in the Notes. This Offering Memorandum may only be used for the purpose for which it was published.

The Issuer accepts responsibility for the information contained in this Offering Memorandum. To the best of the knowledge and belief of the Issuer, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything material that is likely to affect the import of such information.

The information contained in this Offering Memorandum has been furnished by us and other sources we believe to be reliable. The information contained under the headings "*Exchange Rate Information*", "*Summary*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Industry and Market Data*" and "*Business*" includes extracts from information and data publicly released by official and other sources. While we accept responsibility for accurately summarizing such information and data, we accept no further responsibility in respect of such information. However, as far as we are aware, no information or data has been omitted which would render reproduced information inaccurate or misleading. The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including the section entitled "*Book-Entry, Delivery and Form*", is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream.

We confirm that, to the best of our knowledge, information and belief, the information contained in this Offering Memorandum with regards to ourselves, our affiliates, the Group, the Notes and the Notes Guarantees is true and accurate in all material respects, that the opinions and intentions expressed in this Offering Memorandum are honestly held and that we are not aware of any other facts, the omission of which would make this Offering Memorandum or any statement contained herein misleading in any material respect. Neither the delivery of this Offering Memorandum nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Group since the date of this Offering Memorandum or that the information contained in this Offering Memorandum is correct as of any time subsequent to that date.

We will not, nor will any of our agents, have responsibility for the performance of the respective obligations of Euroclear and Clearstream or their respective participants under the rules and procedures governing their operations, nor will we or our agents have any responsibility or liability for any aspect of the records relating to, or payments made on account of, book-entry interests held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to these book-entry interests. Investors wishing to use these clearing systems are advised to confirm the continued applicability of their rules, regulations and procedures.

Neither the U.S. Securities and Exchange Commission (the "**SEC**"), any state securities commission nor any non-U.S. securities authority has approved or disapproved of these securities or determined that this Offering Memorandum is accurate or complete. Any representation to the contrary is a criminal offense. The Issuer has applied to list the Notes on the Official List of the Luxembourg Stock Exchange (the "**LuxSE**") for trading on the LuxSE's Euro MTF market (the "**Euro MTF Market**").

The Issuer is offering the Notes and the Guarantors are issuing the Notes Guarantees, in reliance on an exemption from, or in a transaction not subject to, registration under the U.S. Securities Act for an offer and sale of securities that do not involve a public offering. The Notes are subject to restrictions on transferability and resale, which are described under "*Plan of Distribution*" and "*Transfer Restrictions*". By possessing this Offering Memorandum or purchasing any Note, you will be deemed to have represented and agreed to all of the provisions contained in that section of this Offering Memorandum. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. The Initial Purchasers reserve the right to withdraw this offering at any time and to reject any commitment to subscribe for the Notes, in whole or in part. The Initial Purchasers also reserve the right to allot less than the full amount of Notes sought by investors. The Initial Purchasers and certain related entities may acquire a portion of the Notes for their own accounts.

STABILIZATION

IN CONNECTION WITH THIS OFFERING, J.P. MORGAN AG (THE "**STABILIZATION MANAGER**") (OR PERSON(S) ACTING ON BEHALF OF THE STABILIZATION 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, THERE CAN BE NO ASSURANCES THAT THE STABILIZATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILIZATION MANAGER) WILL UNDERTAKE ANY SUCH STABILIZATION ACTION. SUCH STABILIZATION ACTION, IF COMMENCED, MAY BEGIN ON OR AFTER THE DATE OF ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES AND MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE AND 60 CALENDAR DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER ALLOTMENT MUST BE CONDUCTED BY THE STABILIZATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILIZATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

NOTICE TO PROSPECTIVE U.S. INVESTORS

The Notes will be sold outside the United States to persons who are not U.S. persons pursuant to Regulation S of the U.S. Securities Act and within the United States to QIBs pursuant to Rule 144A. The Notes and the Notes Guarantees have not been and will not be registered under the U.S. Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, registration requirements of the U.S. Securities Act. The Notes shall not be offered, sold or delivered (i) as part of an Initial Purchaser's distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the latest closing date, within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to Rule 144A and each dealer to which Notes have been sold during the distribution compliance period will be sent a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area

In relation to each member state of the European Economic Area which is subject to the Prospectus Regulation (each, a "**Relevant Member State**"), each Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Regulation is implemented in that Relevant Member State, it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Memorandum to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), as permitted under the Prospectus Regulation, subject to obtaining the prior consent of the Initial Purchaser nominated by the Issuer for any such offer; or

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

provided that no such offer of the Notes shall require the publication by the Issuer or any Initial Purchaser of a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 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 the Issuer or the Initial Purchasers to produce a prospectus for such offer. Neither the Issuer nor the Initial Purchasers have authorized, nor does the Issuer or any Initial Purchaser 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 provision, the expression an "offer" "offer of notes to the public" or "offer of securities to the public", in each case in relation to any of the 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 for the Notes, and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129 and includes any relevant implementing measure in the Member State.

Each subscriber for or purchaser of the Notes in this offering located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Regulation. The Issuer, the Initial Purchasers and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Initial Purchasers of such fact in writing may, with the consent of the Initial Purchasers, be permitted to subscribe for or purchase the Notes in this offering.

EEA product governance / Professional Investors and eligible counterparties only target market

Solely for the purposes of the product approval process of the manufacturers the target market assessment in respect of the securities described in this Offering Memorandum has led to the conclusion that: (i) the target market for such securities is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of such securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending such securities (for the purposes of this paragraph, 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 such securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Prohibition of Sales to EEA Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be made available to and should not be offered, sold or otherwise made available to any EEA retail investor. For these purposes, an "EEA 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 MiFID II); (ii) a customer within the meaning of 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" as defined in Article 2(e) of the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The United Kingdom

This Offering Memorandum is for distribution only to persons who (i) are outside the United Kingdom or (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 (as amended the "**Financial Promotion Order**")); (iii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order; or (iv) are persons 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 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.

Prohibition of sales to UK retail investors

The securities described in the attached offering memorandum are not intended to be offered, sold or otherwise made available to and should not be made available to and should not be offered, sold or otherwise made available to any UK retail investor. For these purposes, a "**UK retail investor**" means a person who is one (or more) of the following: (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the Financial Services and Markets Act 2000, as amended (the "**FSMA**") to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling any in scope securities or otherwise making them available to retail investors in the UK has been or will be prepared. Offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful.

UK MiFIR product governance / Professional investors and eligible counterparties 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 that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); 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 (for the purposes of this paragraph, a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") 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.

Italy

The offering of the Notes 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 referred to in Article 100 of the Italian Legislative Decree No. 58 of February 24, 1998, as amended (the "**Italian Financial Act**"), and as defined in

CONSOB Regulation No. 20307 of February 15, 2018 ("**Regulation 20307**"), pursuant to Article 34-*ter*, first paragraph, letter (b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended (the "**Issuer Regulation**"), implementing Article 100 of the Italian Financial Act; and (b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Act and the implementing CONSOB regulations, including the Issuer Regulation.

The 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 Italian 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 Italian Financial Act, the Regulation 20307, as amended, Italian Legislative Decree No. 385 of September 1, 1993, as amended (the "**Italian Banking Act**"), the Issuer Regulation and any other applicable laws and regulations; and

(b) in compliance with all relevant Italian securities, tax, exchange control and any other applicable laws and regulations and any other applicable requirement or limitation 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 Italian Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) or any other relevant Italian competent authorities.

Denmark

This Offering Memorandum has not been and will not be filed with or approved by the Danish Financial Supervisory Authority (*Finanstilsynet*) or any other regulatory authority in Denmark. Each Initial Purchaser has represented, warranted and agreed that the Notes may not be offered, sold or delivered directly or indirectly in Denmark, except (a) to a preselected group of institutional investors that constitute eligible counterparties within the meaning of Executive Order No. 2092 of December 14, 2020 issued pursuant to the Danish Financial Business Act identified by the Initial Purchaser, (b) in compliance with the Prospectus Regulation, the Danish Capital Markets Act and Executive Orders issued thereunder, (c) in compliance with Executive Order No. 2092 of December 14, 2020 issued pursuant to the Danish Financial Business Act, (d) in a manner that is not deemed to constitute an offer to the public in Denmark and (e) in a manner that is not deemed to constitute an approach to the public in Denmark for the purposes of the Issuer receiving other repayable funds from the public within the meaning of the Danish Financial Business Act.

Spain

The Notes may not be offered or sold or distributed in Spain, nor may any subsequent resale of the Notes be carried out, or publicity or marketing of any kind be made, in Spain in relation to the Notes except (a) in circumstances which do not require the publication of a prospectus in accordance with the Prospectus Regulation or constitute a public offering (*oferta pública*) of securities within the meaning of section 35 of the Restated Spanish Securities Market Act approved by Royal Legislative Decree 4/2015, of October 23, 2015 (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*), as amended (the "**Securities Market Act**"), as developed by Royal Decree 1310/2005 of November 4, 2005 on admission to listing and on issues and public offers of securities (*Real*

Decreto 1310/2005 de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, de Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos), and supplemental rules enacted thereunder or in substitution thereof from time to time or pursuant to an exemption from registration in accordance with such Royal Decree; and (b) by institutions authorized to provide investment services in Spain under Directive 2014/65/EU of the European Parliament and of the Council of May 15, 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, the Securities Market Act (and related legislation) and Royal Decree 217/2008 of February 15, 2008 on the Legal Regime Applicable to Investment Services Companies (*Real Decreto 217/2008, de 15 de febrero, sobre el régimen jurídico de las empresas de servicios de inversión y de las demás entidades que prestan servicios de inversión*). This Offering Memorandum has not been and will not be registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and therefore it is not intended for the public offering or sale of the Notes in Spain.

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

For a further description of certain restrictions on offers and sales of the Notes and the distribution of this Offering Memorandum in the Republic of Italy, see "*Transfer restrictions*".

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this Offering Memorandum, including, without limitation, those regarding our future financial position and results of operations, our strategy, plans, objectives, goals, expected synergies related to the Transactions and targets, future developments in the markets in which we participate or are seeking to participate or anticipated regulatory changes in the markets in which we operate or intend to operate. In some cases, you can identify forward-looking statements by terminology such as "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "forecast", "future", "guidance", "intend", "likely", "may", "ongoing", "possible", "plan", "potential", "predict", "probable", "projected", "seek", "should", "target" or "will" or the negative of such terms or other comparable terminology.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and are based on numerous assumptions and that our actual results of operations, including our financial condition and liquidity and the development of the industry in which we operate, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this Offering Memorandum. In addition, even if our results of operations, including our financial condition and liquidity and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Important risks, uncertainties and other factors that could cause these differences include, but are not limited to:

- the general economic conditions worldwide;
- effects and risks of Covid-19 pandemic on our business, financial condition, results of operations and cash flows and other potential epidemics or infectious outbreaks that may have a similar impact;
- our ability to successfully introduce new products, develop our brands and adapt to changing consumer preferences;
- significant competition in the development, production and sale of our products;
- our ability to identify and complete value-enhancing acquisitions and the risks that they may not deliver the expected benefits;
- our ability to effectively control our distribution networks and their commercial practices, and the effect of any disruption in the operations of our distributors or in our relationships with them;
- our ability to negotiate, maintain and renew license agreements with leading designers on satisfactory terms;
- the risk of loss of key license agreements, and the fact that certain of our designers are not subject to non-compete obligations during the terms of their license agreements with us and/or following the termination thereof;
- the potential for consumer spending on high-end design products to be replaced by spending on other activities;
- our ability to fully realize the Group's commercial and strategic vision;
- our ability to integrate YDesign effectively and realize the expected synergies from the Acquisition;

- any negative impact on the reputation of our brand names and designs;
- market perceptions concerning the instability of the euro, the potential reintroduction of individual currencies within the Eurozone or the potential dissolution of the euro entirely, as well as the current political uncertainty in Italy;
- the license agreements we have with designers, which require us to pay royalty and other fees and, in limited cases, to make certain expenditures;
- risks associated with fluctuations in currency exchange rates;
- our ability to maintain our relationships with key suppliers of certain raw materials, components or finished products;
- any increase in the prices of the raw materials we employ in our manufacturing processes or of the components or finished products we purchase, to the extent we are not able to pass on such price increases to our customers;
- our ability to accurately forecast demand for certain of our products and to adequately manage our product inventory;
- any disruptions relating to our manufacturing or assembly facilities or warehouses or to our distribution or delivery processes;
- our ability to continue to retain and attract highly skilled employees, and the risk of loss of key personnel;
- production and litigation risks associated with our commercial contract divisions;
- risks associated with our order intake being subject to unexpected adjustments and cancellations and, therefore, being an uncertain indicator of future earnings;
- credit and regulatory risks associated with Louis Poulsen's B2B division's activities with public entities;
- local business risks associated with our presence outside Europe;
- risks in relation to compliance with anti-corruption laws, anti-bribery laws and regulations and economic sanction programs;
- our ability to successfully expand into new markets or grow our online presence on a timely basis or at all;
- any system interruptions that impair customer access to our sites, performance failures in our technology infrastructure or data security breaches;
- more stringent regulations, including in the area of consumer data privacy;
- our ability to implement or maintain adequate monitoring systems or the sufficiency of monitoring systems to prevent the violation of laws and regulations;
- seasonal fluctuations in our quarterly results;
- our substantial amount of intangible assets;
- the success of our advertising and promotional activities;
- our ability to protect our license and other intellectual property rights from others;
- labor disputes or work stoppages;
- risks associated with certifications by industry standard-setting bodies and applicable law, including the Made in Italy designation;
- potential liabilities and costs from litigation and other proceedings;

- changes in our tax rates or exposure to additional tax liabilities;
- changes in tax laws;
- product liability claims;
- compliance with environmental health and safety, building permit, zoning and town planning laws and regulations;
- the adequacy of our insurance coverage;
- credit risks related to some of our customers;
- other risks associated with our financial information, the transaction, our financial profile, the Notes, our structure and the financing; and
- other factors discussed or referred to in this Offering Memorandum.

The risks 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 rely 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 "*Our 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. In addition, from time to time we and our representatives, acting in respect of information provided by us, have made or may make forward-looking statements orally or in writing. These forward-looking statements may be included in, but are not limited to, press releases (including on our website), reports to our security holders and other communications. Although we believe that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

We undertake no obligation, and do not intend, to update or revise any forward-looking statement or risk factors, 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. As a result, you should not place undue reliance on these forward-looking statements.

CERTAIN DEFINITIONS

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

"**Acquisition**" means the acquisition of the Target by the U.S. BidCo pursuant to the Acquisition Agreement by way of the merger of U.S. MergerCo with and into the Target, with the Target surviving the merger, as further described under "*Summary—The Transactions—The Acquisition*";

"**Acquisition Agreement**" means the agreement and plan of merger entered into on April 12, 2021 among, *inter alios*, the Target, U.S. BidCo, U.S. MergerCo, solely for the limited purposes set forth therein, the Issuer and Alpine Management Services III, LLC (as representative of the holders of equity interests in the Target immediately prior to the consummation of the Acquisition), together with all exhibits and schedules thereto and as amended through the Completion Date, in respect of the Acquisition, as further described under "*Summary—The Transactions—The Acquisition*";

"**Antares**" means Antares Iluminación S.A.U., a Spanish subsidiary of Flos;

"**B&B**" means B&B Italia S.p.A., a company incorporated in Italy and a wholly-owned direct subsidiary of the Issuer, and, unless the context requires otherwise, its consolidated subsidiaries;

"**B&B I/C Loan**" means the €87.6 million loan which was made by the Issuer to B&B on November 22, 2018 (as accreted or partially repaid from time to time) with a portion of the proceeds of the Existing Notes under the B&B I/C Loan Agreement;

"**B&B I/C Loan Agreement**" means the notes proceeds loan agreement which was entered into on November 22, 2018 between the Issuer, as lender, and B&B, as borrower, pursuant to which the B&B I/C Loan was made, as amended from time to time, including on or around the Issue Date;

"**CAGR**" means compound annual growth rate;

"**Carlyle**" means CEP IV Daisy S.à r.l. and its direct controlling shareholders CEP IV Participations S.à r.l. SICAR and CEP V Participations S.à r.l. SICAR, each of which is owned by limited partnerships whose general partners are ultimately advised and managed by The Carlyle Group;

"**Collateral**" has the meaning ascribed to it under "*Summary—The Offering—Security*";

"**Completion Date**" means the date on which the Acquisition is consummated;

"**COVID-19**" means the new strain of infectious disease caused by the virus SARS-CoV-2, which was initially reported in China in December 2019;

"**Danish Bankruptcy Act**" means Consolidated Act No. 11 of January 6, 2014 on bankruptcy (*konkursloven*) as amended and supplemented from time to time;

"**Danish Capital Markets Act**" means Consolidated Act No. 1767 of November 27, 2020 on capital markets (*kapitalmarkedsloven*) as amended and supplemented from time to time;

"**Danish Companies Act**" means Consolidated Act No. 763 of July 23, 2019 on companies (*selskabsloven*) as amended and supplemented from time to time;

"**Danish Financial Business Act**" means Consolidated Act No. 1447 of September 11, 2020 on financial business (*lov om finansiel virksomhed*) as amended and supplemented from time to time;

"**Danish HoldCo**" means, as of the date of this Offering Memorandum, Luminous Designs Investments ApS, a company that survived the Danish Merger and is incorporated in Denmark and a wholly-owned direct subsidiary of the Issuer;

"**Danish HoldCo I/C Loan**" means the loan which was made by the Issuer to Danish HoldCo on November 22, 2018 for an amount of €101.5 million (as amended, accreted or partially repaid from time to time), with a portion of the proceeds of the Existing Notes under the Danish HoldCo I/C Loan Agreement;

"**Danish HoldCo I/C Loan Agreement**" means the notes proceeds loan agreement which was entered into on November 22, 2018 between the Issuer, as lender, and Danish HoldCo, as borrower, pursuant to which the Danish HoldCo I/C Loan was made, as amended from time to time;

"**Danish Merger**" means the merger between Luminous Designs Denmark ApS, a company incorporated in Denmark and, prior to the Danish Merger, a wholly-owned indirect subsidiary of the Issuer, and Luminous Designs Investments ApS, a company incorporated in Denmark and a wholly-owned direct subsidiary of the Issuer, as the surviving entity. The Danish Merger was completed on April 6, 2021 with retroactive effects as of January 1, 2020;

"**Design Holding**" means Design Holding S.p.A., the direct parent company of the Issuer;

"**Escrow Account**" means the segregated escrow account in the name of the Issuer, controlled by the Escrow Agent and pledged in favor of the Trustee on behalf of the holders of the Notes, into which €150.0 million of gross proceeds from the offering of the Notes will be deposited on the Issue Date;

"**Escrow Charge**" means the security over the Escrow Account which will be created on the Issue Date in favor of the Trustee on behalf of the holders of the Notes;

"**Escrow Agent**" means JPMorgan Chase Bank, N.A.;

"**Escrow Agreement**" means the escrow agreement dated on or about the Issue Date, among the Issuer, the Trustee and the Escrow Agent;

"**Escrow Longstop Date**" means November 20, 2021.

"**Existing Fixed Rate Notes**" means the Issuer's €400.0 million 6.5% Senior Secured Rate Notes due 2025 issued under the Existing Indenture;

"**Existing Floating Rate Notes**" means the Issuer's €320.0 million Senior Secured Floating Rate Notes due 2025 issued under the Existing Indenture, which will be satisfied and discharged and ultimately redeemed in full on or about the Issue Date with a portion of the proceeds from the offering of the Notes;

"**Existing Indenture**" means the indenture dated November 16, 2018 by and among, *inter alios*, the Issuer, Design Holding and The Law Debenture Trust Corporation p.l.c. as trustee and noteholders' representative (*rappresentante comune*), governing the Existing Notes;

"**Existing Notes**" means the Existing Fixed Rate Notes and the Existing Floating Rate Notes, collectively, and, following the Refinancing, any reference herein to the Existing Notes shall be deemed to refer to the Existing Fixed Rate Notes;

"**Flos**" means Flos S.p.A., a company incorporated in Italy and a wholly-owned direct subsidiary of the Issuer, and, unless the context requires otherwise, its consolidated subsidiaries;

"**Flos I/C Loan**" means the €119.2 million loan which was made by the Issuer to Flos on November 22, 2018 (as accreted or partially repaid from time to time) with a portion of the proceeds of the Existing Notes under the Flos I/C Loan Agreement;

"**Flos I/C Loan Agreement**" means the notes proceeds loan agreement which was entered into on November 22, 2018 between the Issuer, as lender, and Flos, as borrower, pursuant to which the Flos I/C Loan was made, as amended from time to time, including on or around the Issue Date;

"**Group**", "**we**", "**us**" or "**our**" refer to the Issuer and its consolidated subsidiaries from time to time, including the Target Group after the Completion Date;

"**Guarantors**" means the Initial Guarantors, the U.S. Guarantors and any subsidiary of the Issuer that may guarantee the Notes from time to time pursuant to the Indenture after the Issue Date;

"**I/C Loans**" means the Flos I/C Loan, the B&B I/C Loan and the Danish HoldCo I/C Loan, collectively;

"**IFRS**" means the International Financial Reporting Standard as adopted by the European Union;

"**Indenture**" means the indenture to be dated the Issue Date governing the Notes by and among, *inter alios*, the Issuer and the Trustee;

"**Initial Collateral**" has the meaning ascribed to it under "*Summary—The Offering—Security*";

"**Initial Guarantors**" means B&B, Flos, Louis Poulsen A/S and Antares, each of whom will guarantee the Notes within 20 Business Days from the Issue Date;

"**Initial Purchasers**" means J.P. Morgan AG, Goldman Sachs Bank Europe SE and UniCredit Bank AG, collectively;

"**Intercreditor Agreement**" means the intercreditor agreement dated November 16, 2018, among, *inter alios*, the Issuer, the trustee under the Existing Notes, the lenders under the Revolving Credit Facility Agreement, each obligor in respect of the Revolving Credit Facility and the Security Agent, as amended from time to time and to which the Trustee will accede on or about the Issue Date. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*";

"**Investindustrial**" means, at any time and as the context requires, European Design Participation S.à r.l. (i.e., an Investindustrial company indirectly participating in the Issuer);

"**Issue Date**" means the date on which the Notes offered hereby are issued;

"**Issuer**" means International Design Group S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of Italy;

"**LP**" or "**Louis Poulsen**" means Louis Poulsen A/S, a company incorporated in Denmark and a wholly-owned indirect subsidiary of the Issuer, and, unless the context requires otherwise, its consolidated subsidiaries;

"**Notes Guarantees**" has the meaning ascribed to it under "*Summary—The Offering—Notes Guarantees*";

"**Post Completion Date Collateral**" has the meaning ascribed to it under "*Summary—The Offering—Security*";

"**Post Issue Date Collateral**" has the meaning ascribed to it under "*Summary—The Offering—Security*";

"**Pre-Closing Target Holders**" means the holders of equity interests of and employee appreciation bonuses granted by YDesign, in each case, prior to the consummation of the Acquisition, as described under "*Summary—The Transactions—The Acquisition*";

"**Refinancing**" has the meaning ascribed to it under "*Summary—The Transactions—The Refinancing*";

"**Revolving Credit Facility**" means the €100.0 million revolving credit facility made available under the Revolving Credit Facility Agreement;

"**Revolving Credit Facility Agreement**" means the revolving credit facility agreement dated November 9, 2018 among, *inter alios*, the Issuer, as borrower, and J.P. Morgan Securities plc, UniCredit S.p.A., Goldman Sachs International, DNB Markets, a division of DNB Bank ASA, HSBC Bank plc and Natixis S.A.-Milan Branch as arrangers, as amended from time to time;

"**Security Agent**" means UniCredit S.p.A., in its capacity as security agent under the Indenture, the Intercreditor Agreement, the Existing Indenture and the Revolving Credit Facility Agreement and as representative (*rappresentante*) of the holders of the Notes and the holders of the Existing Notes pursuant to and for the purposes set forth under article 2414-*bis*, paragraph 3, of the Italian Civil Code;

"**Security Documents**" has the meaning ascribed to it under "*Description of Notes—Certain Definitions*";

"**specifiers**" means any parties that are involved in our customers' purchasing decision but are not the end users of our products, including but not limited to architects, developers, interior designers, lighting engineers and landscape architects;

"**Sponsors**" means Carlyle and Investindustrial, collectively;

"**Target**" or "**YDesign**" means YDesign Group, LLC, a Delaware limited liability company;

"**Target Group**" or "**YDesign Group**" means the Target and its wholly-owned direct subsidiary, Lumens, LLC;

"**Transactions**" means the offering of the Notes hereby, the Refinancing, the Acquisition and any actions or steps related thereto, collectively, as further described under "*Summary—The Transactions*";

"**Trustee**" means The Law Debenture Trust Corporation p.l.c., in its capacity as trustee under the Indenture and common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code;

"**U.S. BidCo**" means IDG Apollo Parent Inc., a wholly-owned direct subsidiary of the Issuer incorporated under the laws of Delaware;

"**U.S. BidCo Proceeds Loan**" means the approximately USD 72.2 million loan to be made by the Issuer to U.S. BidCo with the net proceeds of the Notes released from the Escrow Account and certain available cash on balance sheet on or prior to the Completion Date, as further described under "*Summary—The Transactions—The Financing of the Acquisition*";

"**U.S. Guarantors**" means U.S. BidCo and Target, upon their entry into a supplemental indenture within 90 days following the Completion Date; and

"**U.S. MergerCo**" means IDG Apollo Merger Sub LLC, a wholly-owned direct subsidiary of U.S. BidCo organized under the laws of Delaware, which is expected to be merged with and into the Target on the Completion Date, with Target surviving such merger.

* * *

Information contained on any website referenced in this Offering Memorandum is not incorporated by reference in this Offering Memorandum and is not part of this Offering Memorandum.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Historical Financial Information

The Issuer

The Issuer is a holding company, jointly controlled by the two Sponsors, that was incorporated on September 10, 2018 for the purpose of the acquisition by the Issuer of each of Flos, B&B and Danish Holdco, which was completed on November 22, 2018. In this Offering Memorandum, we present, *inter alia*, the historical consolidated financial information for the Issuer and its consolidated subsidiaries. Accordingly, unless otherwise stated, all references to "we", "us", "our" or the "Group" in respect of historical financial information in this Offering Memorandum are to the Issuer and its subsidiaries on a consolidated basis.

The historical financial information of the Issuer included in this Offering Memorandum has been extracted or derived from (i) the English translation of the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2020, including the notes thereto (the "**2020 Consolidated Financial Statements**") and (ii) the English translation of the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2019, including the notes thereto (the "**2019 Consolidated Financial Statements**" and, together with the 2020 Consolidated Financial Statements, the "**Consolidated Financial Statements**").

The 2019 Consolidated Financial Statements also present comparative columns as of and for the period ended December 31, 2018, reflecting approximately one month of activity of the Group following the abovementioned acquisition in November 2018. The consolidated profit and loss and statement of financial position of the Issuer as of and for the year ended December 31, 2018 presented in this Offering Memorandum have been derived from the corresponding comparative column in the 2019 Consolidated Financial Statements (and not from the consolidated financial statements of the Issuer as of and for the year ended December 31, 2018, which are not included nor incorporated by reference in this Offering Memorandum).

The Consolidated Financial Statements were prepared in accordance with IFRS and audited by EY S.p.A. and contain the English translation of the auditors' reports included therein.

The Consolidated 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 Consolidated Financial Statements.

The consolidated profit and loss and statement of financial position of the Issuer as of and for the year ended December 31, 2019 presented in this Offering Memorandum have been derived from the corresponding comparative column in the 2020 Consolidated Financial Statements (and not from the 2019 Consolidated Financial Statements), which reclassified certain profit and loss and financial position line items in the 2019 financial statements for the purpose of presenting the transactions and financial position between the Issuer and its direct parent company, Design Holding, separately from the rest of the Issuer's financial information. These reclassified line items are: (i) in the consolidated profit and loss statement, "revenues from contracts with customers", "personnel costs" and "service costs" and (ii) in the consolidated statement of financial position, "other non-current assets", "trade receivables", "tax assets and other current assets", "trade payables" and "tax payables and other current liabities". We believe such reclassification better reflects the structure of the Group, given Group management is located at the level of Design Holding, whereas the Issuer is the reporting company. For further information, see "*Management*".

Revenue Breakdowns

For each of the periods under review, we present in this Offering Memorandum the breakdown of the Issuer's revenue by brand (Flos, LP and B&B) that reflect our accounting segments under IFRS 8.

In addition, for each of the periods under review, we present in this Offering Memorandum also the following breakdowns of the Issuer's revenue, which do not correspond to segments under IFRS 8:

- by sales channel:
  - *Wholesale*, comprising decorative, architectural and outdoor products sold through the Flos third-party dealer network, home and Arclinea products sold through the B&B wholesale network and business-to-customer products sold through the Louis Poulsen third-party point of sale network, each including third-party online sales;
  - *Contract*, comprising products sold through the Flos contract division, the B&B contract division and the Louis Poulsen business-to-business division;
  - *Directly operated stores* ("**DOS**"), comprising decorative, architectural and outdoor products sold through Flos' DOS and home and Arclinea products sold through B&B's DOS. Louis Poulsen does not currently have any sales through DOS; and
  - *Direct online sales*, comprising decorative, architectural and outdoor products sold through Flos' direct e-commerce website in the U.S. and business-to-customer products sold through Louis Poulsen's direct ecommerce websites in most European countries and the United States. B&B does not currently have any direct online sales; and
- by geographical area ((i) Italy, (ii) Rest of Europe, (iii) North America and (iv) Asia Pacific region ("**APAC**") and others).

We also present herein certain additional breakdowns of the Issuer's revenue, such as breakdowns by product category, country (other than Italy, Rest of Europe, North America and APAC and others), that do not correspond to segments under IFRS 8 and have been derived from management accounts and systems. Our revenues under such management accounts are marginally different from our statutory revenues, mainly in respect of certain deductibles which are normally taken into account for the purpose of calculating our statutory revenues.

Pro Forma Financial Information

In addition, for purposes of facilitating the comparison of our results of operations among the periods under review, the "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" section of this Offering Memorandum also presents the following selected pro forma profit and loss items in respect of the Issuer for the year ended December 31, 2018: (i) total revenues, (ii) total costs, (iii) Adjusted EBITDA (collectively, the "**2018 Pro Forma Information**"). For additional information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Year ended December 31, 2019 compared to the year ended December 31, 2018 (pro forma)*". The 2018 Pro Forma Information gives pro forma effect to the acquisition by the Issuer of Flos, B&B and Danish HoldCo on November 22, 2018, as well as all the transactions related to such acquisition, including, *inter alia*, the equity contribution by the Sponsors into the Issuer, the issuance of the Existing Notes by the Issuer and the refinancing of certain previously existing indebtedness of Flos, B&B and Danish HoldCo, as if all such events had occurred on January 1, 2018. The 2018 Pro Forma Information has been prepared by management for illustrative purposes only. Neither our independent auditors or any other independent auditors have audited, reviewed, compiled or performed any procedures with respect to the 2018 Pro Forma Information for the purpose of its inclusion herein or for any other purposes and, accordingly, neither our independent auditors or any other independent auditors have expressed an opinion or provided any form of assurance with respect thereto for the purpose of this Offering Memorandum.

Accounting for the Refinancing

A portion of the net proceeds from the Notes will be used to redeem the Existing Floating Rate Notes. In accordance with IFRS 9, a financial liability should be removed from the statement of financial position when, and only when, it is extinguished; that is, when the obligation specified in the relevant contracts are discharged or cancelled or expired. The accounting treatment of a debt refinancing depends on whether the modified terms (or new debt instrument) are "substantially different" to the previous terms (or debt instrument). Through the Refinancing, the Issuer will redeem all of the Existing Floating Rate Notes and is accounted for as extinguishment of the existing liabilities and the recognition of a new liability at amortized cost.

Certain Consolidated Financial Information of YDesign

On April 12, 2021, the Issuer, together with U.S. BidCo and U.S. MergerCo, entered into the Acquisition Agreement with YDesign and the Seller Representative providing for the acquisition of YDesign by the U.S. BidCo, as further described under "*Summary—The Transactions—The Acquisition*". This Offering Memorandum includes certain selected consolidated financial information of YDesign for the years ended December 31, 2019 and 2020 and the twelve months ended March 31, 2021, including the net sales and the Adjusted EBITDA of YDesign, which is converted from U.S. dollars to euro and added to our Synergized EBITDA to calculate our Pro Forma Synergized EBITDA.

The Adjusted EBITDA of YDesign is presented in this Offering Memorandum for illustrative purposes because, when added to our Synergized EBITDA to calculate our Pro Forma Synergized EBITDA, we believe it provides a useful measure of the combined results of operations of the Group and YDesign as if the Acquisition had occurred on January 1, 2020 or April 1, 2020, as applicable. However, the Adjusted EBITDA and net sales of YDesign are unaudited, have not been otherwise reviewed by outside auditors, consultants or experts, and have been derived from YDesign financial statements and management accounts, which are prepared on the basis of U.S. GAAP. The Adjusted EBITDA of YDesign and any other financial data of YDesign presented herein are therefore not comparable with the Adjusted EBITDA and other consolidated financial information of the Issuer presented herein, which are derived from underlying financial measures prepared in accordance with IFRS. We neither describe the differences between IFRS and U.S. GAAP in this Offering Memorandum nor reconcile YDesign U.S. GAAP EBITDA to IFRS. See "*—Non-IFRS Financial Measures*" below and "*Risk Factors—Risks Related to Our Financial Information—The consolidated financial information of YDesign presented herein, including as part of our Pro Forma Synergized EBITDA, was prepared on the basis of U.S. GAAP and is therefore not comparable with the consolidated financial information of the Issuer, which was prepared on the basis of IFRS*".

Certain Aggregated Revenue Breakdowns of the Issuer and YDesign

We present in this Offering Memorandum certain breakdowns of the aggregated revenue of the Issuer and YDesign for the year ended December 31, 2020 ("**Aggregated 2020 Revenue**") by product category, brand, sales channel and geographical area (the "**Aggregated 2020 Revenue Breakdowns**"). The Aggregated 2020 Revenue Breakdowns aim to illustrate the various categories of revenue, presented by product category, brand, sales channel and geographical area, giving effect to the Acquisition. The methodology behind the calculation of the Aggregated 2020 Revenue Breakdowns assumes that YDesign is an internal division of the Group for the relevant period. It is based on the systematic categorization of types of revenues under the same categories by product, brand, sales channel and geographical area, and not following the categorization used by management of YDesign, and therefore relies on management estimates. In addition, the Aggregated 2020 Revenue Breakdowns are based on Aggregated 2020 Revenue, which is calculated as the sum of the consolidated revenue of the Issuer, which is calculated in accordance with IFRS, and the net sales of YDesign, which are calculated in accordance with U.S. GAAP, as mentioned above under "*—Certain Consolidated Financial Information of YDesign*". We neither describe the differences between IFRS and U.S. GAAP in this Offering Memorandum nor reconcile YDesign net sales to IFRS.

Therefore, the underlying financial data utilized to calculate Aggregated 2020 Revenue and Aggregated 2020 Revenue Breakdowns are not comparable. As a result, the Aggregated 2020 Revenue Breakdowns are inherently subject to risks and uncertainties, may not give an accurate or complete picture of our results of operations following the Acquisition and may differ materially from our actual results, and should not be relied upon when making an investment decision.

The Aggregated 2020 Revenue Breakdowns are being presented for information purposes because we believe that they provide a useful measure of our the combined results of operations of the Issuer and YDesign. However, they have not been audited or reviewed in accordance with any generally accepted auditing standards and are based on management estimates. Accordingly, any reliance you place on this information should fully take this into consideration.

Acquisition Accounting

The Issuer will account for the Acquisition at fair value applying IFRS 3 "*Business Combinations*". Under IFRS 3 "*Business Combinations*", the cost of an acquisition is measured as the fair value of the assets transferred, liabilities incurred and the equity interests issued by the acquirer, including the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair market values at the acquisition date. The excess of the consideration transferred over the fair value of the acquirer's share of the identifiable net assets acquired is recorded as goodwill.

Since the Acquisition has not been consummated as of the date of this Offering Memorandum, we have not identified the fair value of assets acquired and liabilities to be assumed at the date of the Acquisition. In accordance with IFRS, we have up to 12 months from the Completion Date to finalize the purchase price allocation.

Non-IFRS Financial Measures

This Offering Memorandum contains certain non-IFRS measures and ratios, in addition to certain of the Issuer's revenue breakdowns discussed above (revenue breakdowns by sales channel and geographical area), including orders, Aggregated 2020 Revenue, Aggregated 2020 Revenue Breakdowns, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Financial Debt, Synergized EBITDA, YDesign Adjusted EBITDA, Pro Forma Synergized EBITDA, Pro Forma Cash and Short-term Deposits, Pro Forma Adjusted Net Financial Debt and Pro Forma Cash Interest Expense that are not required by, or presented in accordance with, IFRS. Such non-IFRS measures presented in this Offering Memorandum are described and defined under "*Summary—Summary Historical Financial Information and Other Data—Other Financial and Pro Forma Data*".

In evaluating any EBITDA-based metrics presented herein (including Adjusted EBITDA, Synergized EBITDA, YDesign Adjusted EBITDA and Pro Forma Synergized EBITDA), you should be aware that, as analytical tools, such metrics are subject to certain limitations. EBITDA-based metrics are not measurements of performance or liquidity under IFRS and you should not consider such metrics as alternatives to (a) gross profit or operating profit (as determined in accordance with IFRS) as a measure of our operating performance, (b) cash flow for the period as a measure of our ability to meet our cash needs or (c) any other measure of performance or liquidity under IFRS. We present such EBITDA-based metrics as we believe that they are measures commonly used by investors and are measures that we use in managing each of our businesses.

Pro Forma Synergized EBITDA is included in this Offering Memorandum because we believe that it provides a useful measure of the combined results of operations the Group and the YDesign Group. However, this measure does not constitute a measure of financial performance under IFRS or any other accounting standard and has not been audited or otherwise reviewed by outside auditors, consultants or experts. Pro Forma Synergized EBITDA does not purport to indicate our future consolidated results of operations, including following the Acquisition. The calculation of Pro Forma Synergized EBITDA is based on various assumptions and management estimates and is therefore inherently subject to risks and uncertainties and should not be relied upon in isolation when making an investment decision. Our actual results may differ significantly from those reflected in our Pro Forma Synergized EBITDA for a number of reasons, including, but not limited to, differences in the accounting standards applied for the calculation of the Adjusted EBITDA of the Group (IFRS) and the Adjusted EBITDA of YDesign (U.S. GAAP) and our ability to realize the expected synergies from the Acquisition and other synergies. Therefore, Pro Forma Synergized EBITDA should not be relied upon in isolation when making an investment decision. See "*—Certain Consolidated Financial Information of YDesign*" above. See also "*Risk Factors—Risks Related to Our Financial Information—Our Synergized EBITDA and Pro Forma Synergized EBITDA presented in this Offering Memorandum are based upon management estimates and assumptions in respect of certain cost savings and revenue synergies. Such estimates and assumptions might prove to be materially incorrect as a result of factors that are beyond our control and are subject to known and unknown risks, uncertainties and other factors".*

For a reconciliation of Adjusted EBITDA, Synergized EBITDA and Pro Forma Synergized EBITDA to our income (loss) for the year, see "*Summary—Summary Historical Financial Information and Other Data—Other Financial and Pro Forma Data*".

Adjusted EBITDA, Synergized EBITDA and Pro Forma Synergized EBITDA as used in this Offering Memorandum are not calculated in the same manner as "Consolidated EBITDA" is calculated pursuant to the Indenture governing the Notes as described under "*Description of Notes*" or for purposes of any of our other indebtedness.

In the section "*Summary—Recent Developments—Current Trading for the Three Months Ending March 31, 2021 and Current Outlook*", we also present certain unaudited financial information in respect of our order intake. Order intake consists of the aggregate expected revenue from all the orders received from our customers during a particular reference period (regardless of whether any revenue has been recognized in respect of these orders in such reference period) for services and projects for which we have signed contracts or in respect of which we have otherwise received binding commitments from customers. Depending on, among other things, the nature of the contract and/or the business division involved, we may require that our customers make advance payments before we include the relevant orders in our database. Made-to-order products and contract projects are not normally considered orders, until all technical specifications have been agreed upon with our customers. Moreover, the change of our order intake between two reference periods is not calculated on a constant currency basis and therefore reflects the impact of the relevant currency exchange rates trends, thereby affecting the comparability of this metric between such two periods. Order intake is included in this Offering Memorandum because we believe that it provides useful information regarding our business. However, this measure does not constitute a measure of financial performance under IFRS or any other accounting standard and has not been audited or otherwise reviewed by outside auditors, consultants or experts. Order intake does not purport to indicate our future revenue and its calculation is based on various assumptions and management estimates and is therefore inherently subject to risks and uncertainties. Our actual revenue may differ from our order intake for a number of reasons, including, but not limited to, unforeseen events or circumstances, including termination or scaling down of contracts, increased time requirements to complete the relevant project, delays in commencing the project or other disruptions and potential litigation associated with the projects to which our order intake refers.

We present non-IFRS measures because we believe that they are widely used by securities analysts and other interested parties as supplemental measures of performance and liquidity. By eliminating potential differences in results of operations between periods or companies caused by factors such as depreciation and amortization, historical cost and age of assets, financing and capital structures and taxation positions or regimes, we believe that non-IFRS measures can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated. For these reasons, we believe that non-IFRS measures are regularly used by the investment community as a means of comparison of companies in our industry.

Different companies and analysts may calculate non-IFRS measures differently, so comparisons among companies on this basis should be done carefully. The non-IFRS measures may not be comparable to other similarly titled measures of other companies and should not be considered in isolation or be used as a substitute for an analysis of our operating result as reported under IFRS. Non-IFRS measures and ratios are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to net profit/loss for the period or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities. The non-IFRS measures have limitations as analytical tools. Some of these limitations are:

- they do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments, on our debts;
- although amortization, depreciation and write-downs are non-cash charges, the assets being depreciated and amortized will often need to be replaced in the future and certain of these non-IFRS measures do not reflect any cash requirements that would be required for such replacements;
- some of the non-recurring and non-core items that we eliminate in calculating Adjusted EBITDA, Synergized EBITDA and Pro Forma Synergized EBITDA, reflect cash payments that were made, or will in the future be made; and
- they have been calculated by aggregating financial information prepared under different accounting principles and different reporting currencies.

Because of these limitations, our non-IFRS measures should not be considered as measures of discretionary cash available to us to invest in the growth of our business or as measures of cash that will be available to us to meet our obligations. You should compensate for these limitations by relying primarily on the Audited Consolidated Financial Statements and using these non-IFRS measures only to supplement the evaluation of our performance.

Non-Financial Operating Data

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 financial accounting records, and have not been audited or otherwise reviewed by outside auditors, consultants or experts. Our use or computation of these terms may not be comparable to the use or computation of similarly titled measures reported by other companies. Any or all of these terms should not be considered in isolation or as an alternative measure of performance under IFRS or any other general accepted accounting principles.

Rounding

Certain numerical figures set out in this Offering Memorandum, including financial information presented in millions or thousands and percentages, have been subject to rounding adjustments and, as a result, the totals of the data in this Offering Memorandum may vary from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other information set forth in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" are calculated using the rounded numerical data included in this Offering Memorandum and not the numerical data in each of the Targets' consolidated financial statements or the relevant entity's internal accounting system. With respect to financial information set out in this Offering Memorandum, a dash ("—") signifies that the relevant figure is zero or rounded to zero.

Trademarks and Trade Names

The Group owns or has rights to certain trademarks, trade names or service marks that it uses in connection with the operation of its business. The Group asserts, to the fullest extent under applicable law, its rights to its trademarks, trade names and service marks. 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.

PRESENTATION OF INDUSTRY AND MARKET DATA

In this Offering Memorandum, we rely on and refer to information regarding our business and the markets in which we operate and compete. Certain economic and industry data, market data and market forecasts set forth in this Offering Memorandum were extracted from market research, governmental and other publicly available information, independent industry publications and reports prepared by industry consultants. These external sources include an industry report by a leading third-party consulting firm that was commissioned by the Issuer (the "**Industry Report**"), among others.

Industry reports, 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. We believe that these industry publications, surveys and forecasts, to the extent quoted or referred to herein, are reliable, but we have not independently verified them and cannot guarantee their accuracy or completeness.

While we accept responsibility for accurately summarizing the information from these external sources, and as far as we are aware and able to ascertain no facts have been omitted which would render this information inaccurate or misleading, we accept no further responsibility in respect of such information.

Certain information and estimates in this Offering Memorandum, including without limitation, statements regarding the industry in which we operate, our position in the industry and our market share, has also been based on our own experience, internal studies, estimates and investigations of market conditions, in some cases combined with the aforementioned external sources. We cannot assure you that any of the assumptions we have made are accurate or correctly reflect our position in the market. Neither we nor the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this information. Such information and estimates involve risks and uncertainty and are subject to change based on various factors. See "Risk Factors" and "Forward-Looking Statements". Prospective investors should not place undue reliance on any forecasts presented below and should make their own independent assessment of our future prospects and the risks relating to the markets in which we operate.

All of the information set forth in this Offering Memorandum relating to the operations, financial results or market share of our competitors has been obtained from publicly available information or independent research. Neither we nor the Initial Purchasers have independently verified this information and cannot guarantee its accuracy.

EXCHANGE RATE INFORMATION

In this Offering Memorandum, all references to "**euro**", "**EUR**" or "**€**" are to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time, all references to "**U.S. dollars**", "**US$**" and "**$**" are to the lawful currency of the United States of America and all references to "**DKK**", "**Danish krone**" and "**Danish kroner**" are to the lawful currency of Denmark.

The rates indicated below may differ from the actual rates used in the preparation of the financial statements presented elsewhere in this Offering Memorandum and other financial information appearing in this Offering Memorandum. Neither we nor the Initial Purchasers represent that the U.S. dollar amounts referred to below could be or could have been converted into euro or DKK, as applicable, at any particular rate indicated or any other rate.

The following table shows, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate expressed as U.S. dollars per €1.00. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates during that month, or shorter period, as the case may be. The Bloomberg Composite Rate of the euro on May 6, 2021 was $1.2065 per €1.00.

	U.S.$ per €1.00			
	Period Average	**High**	**Low**	**Period End**
Year				
2016	1.1035	1.1446	1.0520	1.0520
2017	1.1393	1.2005	1.0576	1.2005
2018	1.1782	1.2414	1.1312	1.1469
2019	1.1179	1.1448	1.0900	1.1214
2020	1.1472	1.2217	1.0955	1.2217
Month				
January 2021	1.2174	1.2327	1.2077	1.2136
February 2021	1.2095	1.2175	1.1964	1.2075
March 2021	1.1900	1.2091	1.1717	1.1730
April 2021	1.1971	1.2126	1.1759	1.2020
May 2021 (through May 6, 2021)	1.2037	1.2065	1.2005	1.2065

The following table shows, for the periods set forth below, high, low, average and period end Bloomberg Composite Rate expressed as DKK per U.S.$1.00. The Bloomberg Composite Rate of the Danish krone on May 6, 2021 was DKK 6.1632 per U.S. $1.00.

	DKK per U.S.$1.00			
	Period Average	High	Low	Period End
Year				
2016	6.7497	7.0662	6.5000	7.0662
2017	6.5434	7.0289	6.2050	6.2050
2018	6.3325	6.5957	5.9954	6.5114
2019	6.6804	6.8506	6.5215	6.6642
2020	6.5065	6.8117	6.0918	6.0918
Month				
January 2021	6.1110	6.1602	6.0351	6.1291
February 2021	6.1490	6.2158	6.1080	6.1579
March 2021	6.2495	6.3470	6.1503	6.3407
April 2021	6.2128	6.3257	6.1318	6.1868
May 2021 (through May 6, 2021)	6.1777	6.1941	6.1632	6.1632

The following table shows, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate expressed as DKK per €1.00. The Bloomberg Composite Rate of the Danish krone on May 6, 2021 was DKK 7.4360 per €1.00.

	DKK per €1.00			
	Period Average	High	Low	Period End
Year				
2016	7.4448	7.4629	7.4378	7.4401
2017	7.4392	7.4474	7.4337	7.4474
2018	7.4538	7.4665	7.4425	7.4665
2019	7.4663	7.4723	7.4565	7.4705
2020	7.4540	7.4732	7.4416	7.4416
Month				
January 2021	7.4389	7.4418	7.4370	7.4382
February 2021	7.4369	7.4381	7.4359	7.4363
March 2021	7.4365	7.4382	7.4358	7.4382
April 2021	7.4367	7.4391	7.4354	7.4360
May 2021 (through May 6, 2021)	7.4361	7.4364	7.4360	7.4360

SUMMARY

This summary highlights selected information about us and the offering of the Notes contained in this Offering Memorandum. This summary is not complete and does not contain all the information you should consider before investing in the Notes. The following summary should be read in conjunction with, and the following summary is qualified in its entirety by, the more detailed information included in this Offering Memorandum, including the Consolidated Financial Statements. You should read carefully the entire Offering Memorandum to understand our business, the nature and terms of the Notes and the tax and other considerations which are important to your decision to invest in the Notes, including the risks discussed under the captions "Risk Factors" and "Forward-Looking Statements". Unless otherwise stated or the context otherwise requires, all references to "we", "us", "our" or the "Group" in this section of the Offering Memorandum are to the Issuer and its subsidiaries on a consolidated basis, excluding the YDesign Group.

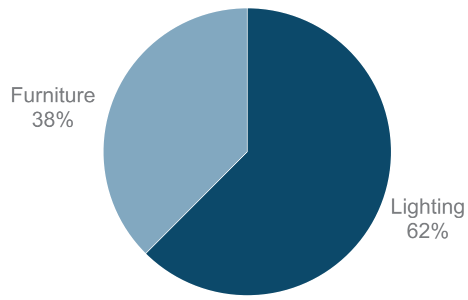
Overview

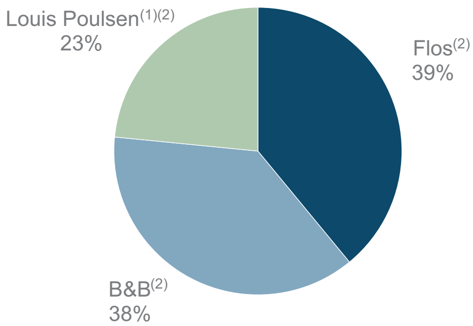
We are one of the leading global design companies in the high-end furniture and lighting markets. We design, produce, distribute and sell high-end lighting and furniture solutions, through three companies with leading market positions: Flos, an Italian lighting producer, Louis Poulsen, a Danish lighting producer, and B&B, an Italian furniture producer. With total revenue of €526.1 million, Adjusted EBITDA of €128.7 million and net profit of €22.6 million for the year ended December 31, 2020, we are one of the leading companies in the high-end design market globally. We benefit from the unique brand heritage and iconic products of each of Flos, Louis Poulsen and B&B and provide a complementary, high-end offering across a broad range of product categories, brands, sales channels and geographic areas. Following the ongoing acquisition of YDesign, a leading e-commerce retailer in the U.S. online high-end lighting market with net sales of USD163.2 million for the year ended December 31, 2020, we expect to complement our existing Flos, Louis Poulsen and B&B businesses by strengthening our U.S. and online presence.

The joint strategic direction of Flos, Louis Poulsen and B&B under one combined group, together with our long-standing relationships with top designers and specifiers, our strong and recognizable brands, our broad and diversified offering of top quality products, our extensive geographical footprint and our omni-channel distribution network, has generated, and is expected to continue generating, revenue and cost synergies since the combination of the three businesses was completed in November 2018. It has also expanded our customer reach and product portfolio and positioned us to deliver strong cash generation despite the outbreak of the COVID-19 pandemic.

For the year ended December 31, 2020, we generated 61.8% of our revenue from contracts with customers from the lighting category, which includes both indoor and outdoor products, with our lighting brands Flos and Louis Poulsen accounting for 39.0% and 23.4% of our revenue from contracts with customers and revenues related to Design Holding that are generated by each brand, gross of adjustments and eliminations, respectively. For the same period, we have generated 38.2% of our revenue from contracts with customers from the furniture category, which includes living room and bedroom products, outdoor products and kitchens, that we design through our furniture brands B&B Italia, Maxalto and Arclinea (all of which belong to the B&B group), accounting for approximately 26%, approximately 7% and approximately 5% of our revenues, respectively.

The following charts set forth a breakdown of our revenue for the year ended December 31, 2020 by product category and primary brand:





(1) Louis Poulsen includes an immaterial portion of non-Louis Poulsen branded revenues (e.g. Targetti).
(2) Calculated as a percentage of Revenue from contracts with customers and Revenue related to Design Holding that is generated by each brand, gross of adjustments and eliminations.

As a global design company, we provide a full range of high-end furniture and lighting solutions to a diversified customer base of individual consumers, architects, designers and other specifiers for residential use and businesses around the globe for commercial use through an omni-channel approach comprising four key sales channels:

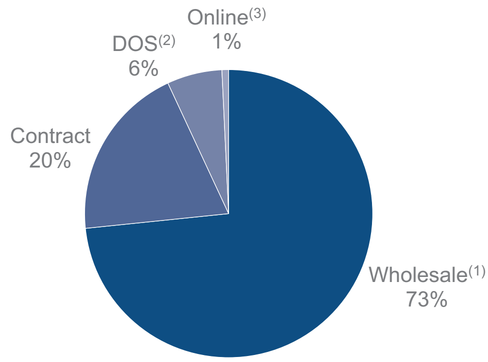
(i) *Wholesale.* Our wholesale channel comprises over 4,845 brick-and-mortar points of sale located around the world across a range of formats, including third-party mono-brand stores and shop-in-shops, corners and displays within multi-brand design retailers, as well as online third-party retailers;

(ii) *Contract.* Our contract channel delivers bespoke design services for residential and commercial customers, utilizing both products from our catalogues and custom-made products, as well as certain complementary products from third-party producers;

(iii) Directly-Operated Stores ("**DOS**"). Our DOS channel comprises retail stores that are directly managed from our headquarters and sell only products from Flos, Louis Poulsen and B&B, either individually by company or in a combination with products from our other companies, including our two new D-Studio stores which we plan to open during the course of 2021 in Milan and Copenhagen and which will sell products from all our brands; and

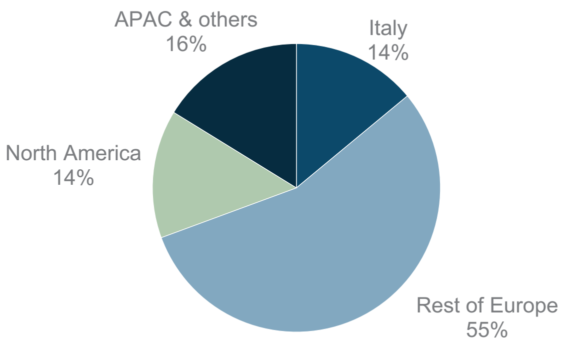
(iv) *Direct online*. Our direct online channel consists of our e-commerce websites currently selling products from Flos and Louis Poulsen in different geographies (mainly North America, in respect of both Flos and Louis Poulsen, and the main European countries, in respect of Louis Poulsen only).

The following chart sets forth a breakdown of our revenue for the year ended December 31, 2020 by sales channel:



(1) Wholesale excludes revenues derived from the direct online channel. Wholesale includes e-tailers.
(2) DOS includes revenues from directly operated Flos and B&B stores.
(3) Online includes revenues from Flos' and LP's e-commerce websites.

We operate directly or indirectly in approximately 140 countries around the world. The following chart sets forth a breakdown of our revenue for the year ended December 31, 2020 by geography:



Our products are distinguished by their design content, combining innovation and technology with the rich design heritage that characterizes the Italian and Danish traditions. Each of Flos, Louis Poulsen and B&B maintains a portfolio of iconic products, a number of which have been popular for more than 50 years and were created in collaboration with some of the most prestigious designers in the world, including Antonio Citterio, Gaetano Pesce, Achille and Pier Giacomo Castiglioni, Philippe Starck, Poul Henningsen and Arne Jacobsen. Our products have received numerous global design awards and are held in the permanent collections of art and design museums worldwide, including in the Museum of Modern Art in New York, the Art Institute of Chicago, the Victoria & Albert Museum in London, Le Centre Pompidou in Paris and La Triennale di Milano in Milan. Throughout our history, our continuous efforts in technology and product development coupled with our strong relationships with prestigious designers and our ability to attract up-and-coming design talents have enabled us to complement our heritage collection with successful new products that have reinforced the growth of each of our brands over the years.

Our diversified sales organization is supported by a strong digital presence, with a number of initiatives underway to support the online presence of our companies, including the expansion of our online business, through the launch of a new state-of-the-art e-commerce platform with the support of a dedicated in-house team and of our shareholders' operating partners, and the Acquisition which will allow for the expansion of our online channel especially in North America. We are also continuing to expand our DOS presence through the launch of two D-Studio multi-brand and multifunctional flagship stores in Copenhagen and Milan, which we expect will open in 2021, where products from all our brands will be sold singularly or through tailor-made projects providing "soft-contract" solutions for business-to-customer ("**B2C**") and business-to-business ("**B2B**") customers, and through a recently-launched joint venture partnership with Fendi which we expect to also be supported by a dedicated DOS network. See "*—Recent Developments—Joint Venture with Fendi*".

The ongoing combination of our businesses and brands is still in the process of delivering revenue and cost synergies, including,among others, the selective expansion of the store network, the further development of cross-selling among brands and the creation of D-Studios. We expect that the ongoing integration of Flos, Louis Poulsen and B&B will also provide opportunities for cost synergies, including through the transfer of the production of selected architectural products of Flos and Louis Poulsen to our Spanish facilities and the opening and recent renovation of the Arclinea headquarters and training center in Caldogno, in north eastern Italy. Additional synergies are expected to be developed from the integration of the YDesign Group, primarily through the distribution of our products through the YDesign Group's online platform. See "*—Our Strategies—Drive operational excellence and finalize synergy deployment from Group integration and the Acquisition*".

Our Competitive Strengths

We believe that our key strengths and competitive advantages will be:

Leadership position in a fragmented market with highly attractive growth prospects

We estimate that we are one of the leading global design companies by revenue in the fragmented high-end lighting and furniture design markets, with €526.1 million in total revenue, Adjusted EBITDA of €128.7 million and net profit of €22.6 million for the year ended December 31, 2020. We believe that on a pro forma basis for the Acquisition, we would have been approximately 1.5 times larger than our closest direct competitor in terms of revenues based on our analysis of publicly available financial data for 2019. According to the Industry Report, after contraction in the market due to COVID-19 pandemic, strong signs of rebound have been witnessed, with the market expecting to recover to pre-pandemic levels by the end of 2021.

In addition, despite the recent signs of a trend towards consolidation in the office space, the high-end design market is primarily characterized by smaller competitors, making us one of the few design groups that can serve a diverse customer base across a variety of product and service categories and geographies, enabling us to benefit from cross-selling initiatives and giving us the opportunity to grow through selected strategic acquisitions in the segments where we currently operate or in complementary adjacent segments. See "*—Our Strategies—Pursue strategic acquisition opportunities that align with our overall goals and objectives*".

Diversified business model across product categories, geography and distribution channels with low customer concentration risk

Our business is diversified across product categories, geographies and distribution channels. We currently operate in two product category sectors, lighting and furniture, which generated 61.8% and 38.2% of our revenue from contracts with customers for the year ended December 31, 2020, respectively.

Geographically, our business benefits from a diversified reach, with approximately 140 countries served and no one country generating more than 13.6% of our revenue for the year ended December 31, 2020. Customers outside of our home geographies of Italy and Denmark generated approximately 76% of our revenue for the year ended December 31, 2020, with non-European sales representing 30.6% of our revenue for such period. Customer growth in recent years has been primarily driven by the North America and the APAC region, with these regions generating 14.4% and 14.7% of our revenue for such period. We expect the APAC region and North America to support rebounding from the negative effects of the COVID-19 pandemic and to continue to drive growth, with consistent demand also expected in our home geographies and Western Europe. We also expect the Acquisition will increase our revenue from customers in North America by providing access to YDesign Group's large database of more than 800,000 customers, of which approximately 250,000 were active in the past 24 months, including architects and interior designers that are key specifiers in this geography. On a pro forma basis for the Acquisition, we estimate that our revenues in North America for the year ended December 31, 2020 would have been approximately 32% of our revenue from contracts with customers.

We also benefit from a diversified distribution network comprised of four distribution channels (wholesale, contract, DOS and direct online sales) enabling us to reach a broad range of customers in a cost-efficient manner. Our diversified distribution network will further benefit from the creation of our new e-commerce platform, which will be unified across our brands, and the Acquisition, which will further foster our online distribution channel and our exposure to the North American market where we estimate, based also on industry report, that online penetration of the U.S. home furnishings market will increase from approximately 20% in 2018 to more than one third in 2023.

For further details on our distribution channels, see "*—Omni-channel distribution network optimizing client reach and maximizing brand strength*".

Finally, in addition to a diversified mix of product categories, geographies and distribution channels, we benefit from low customer concentration risk. For the year ended December 31, 2020, Flos' top 20 customers generated 14.4% of Flos' revenue, with no one customer generating more than 2.5% of Flos' revenue, and Louis Poulsen's top 20 customers generated approximately 22.0% of Louis Poulsen's revenue, with no single customer generating more than 4.4% of Louis Poulsen's revenue. During the same period, B&B's top 20 customers generated approximately 24.2% of B&B's revenue, with no single customer accounting for more than 2.1% of B&B's revenue.

Highly resilient portfolio of iconic designs and breakthrough innovations

Our internationally-acclaimed product portfolios represent a balance between timeless heritage designs and innovative products. Certain iconic designs have become synonymous with our brands and continue to attract significant customer demand decades after being introduced. We believe that maintaining these products in our portfolio helps to limit the effect of market trends and improves our revenue resiliency. Numerous products from each of our brands have received prestigious international design awards, including the Compasso d'Oro, NYCxDesign Award, IF Gold Award, FX Interior Design Awards, Danish Design Award and German Design Award, and are held in the permanent collections of art and design museums such as the Victoria & Albert Museum in London, the Museum of Modern Art in New York City, Le Centre Pompidou in Paris and La Triennale di Milano in Milan, confirming the excellence, renown and appeal of our designs.

In addition, we believe that the balance between iconic and innovative products in our portfolio also translates into limited concentration risk in terms of revenue, with the thirty products representing the top ten best-selling products from each of Flos, Louis Poulsen and B&B generating in aggregate only approximately 30% of our revenue for the year ended December 31, 2020. In particular, for the year ended December 31, 2020, revenues from Flos' top ten best-selling products accounted for approximately 33% of Flos' revenue, with no one product representing more than approximately 6% of Flos' revenue, and revenues from Louis Poulsen's top ten best-selling products accounted for approximately 32% of Louis Poulsen's revenue, with no single product representing more than approximately 8% of Louis Poulsen's revenues. During the same period, revenues from B&B's top ten best-selling products accounted for approximately 25% of B&B's revenue, with no product accounting for more than approximately 5% of B&B's revenue. Many of our products also benefit from high product longevity, with designs from as early as 1925 continuing to be popular and informing the development and production of new designs. For the year ended December 31, 2020, our iconic products (i.e. lighting products designed before 1980 and furniture products designed before 2000) accounted for approximately 22% of our revenue.

Our internal research and product development teams work closely with our designers to continually update and reconfigure iconic pieces to meet the evolving needs and tastes of our customers while maintaining the identity of each of our brands and the distinctive original features that loyal customers worldwide have long associated with our products. We also launch new products on an ongoing basis to complement our portfolio of heritage designs. We estimate that we generated 36.1% of our revenue for the year ended December 31, 2020 from the sale of products which each of Flos, B&B and Louis Poulsen introduced during the last five years. Between 2018 and 2020, Flos, LP and B&B launched approximately 16, 14 and 22 new products (including extensions of existing product lines) on average per year, respectively. Our efforts in research and product development and innovation in both design and technology ensure both the longevity of our iconic products and the continued introduction of creative and successful new designs.

Omni-channel distribution network optimizing client reach and maximizing brand strength

We operate our brands through four distribution channels: wholesale, contract, DOS and direct online sales. We believe our omni-channel distribution network optimizes client reach and maximizes the strength of our brands. For the year ended December 31, 2020, the wholesale channel generated approximately 73.3%, the contract channel approximately 19.7%, the DOS network approximately 6.2% and direct online sales approximately 0.8% of our revenue from contracts with customers, respectively. On a pro forma basis for the Acquisition, we estimate that our online sales for the year ended December 31, 2020 would have been approximately 22% of our revenue from contracts with customers.

Wholesale

Within the wholesale channel, we sell Flos products through approximately 2,300 third-party dealers, Louis Poulsen through 1,650 third-party multi-brand points of sale and B&B's products through 59 mono-brand stores, 32 shop-in-shops and 781 multi-brand stores spread around the globe. These include brick-and-mortar sales points and online third-party dealers, in a range of formats from third-party mono-brand stores to shops-in-shops, corners and displays located in third-party multi-brand stores. The wholesale channel enables us to increase customer reach while limiting distribution costs. We benefit from long-standing customer relationships within our wholesale channel, with many of our dealers having sold products from our respective brands for five years or more.

Contract

Our contract channel gives us the opportunity to interact with a separate consumer demographic that is not typically accessible through traditional retail outlets, such as those in the hospitality, retail, residential design and office industries. Among some of the notable recent projects completed by the Contract division are the One Thousand Museum by Zaha Hadid Architects in Miami, The Polaris Lounge by Studio SCB Chicago, the Bulgari Hotel in Shanghai, Beijing and Milan by Antonio Citterio and Patricia Viel, The Retreat at Blue Lagoon Iceland by Basalt Architects and Design Group Italia, the Aman Canal Grande hotel in Venice, the Café Royal, the Bulgari Hotel and the Me Hotel in London, the Excelsior Hotel Gallia in Milan, the Peninsula Hotel in Paris, the executive offices of the Abu Dhabi National Oil Company in Abu Dhabi and the Aman Amanera hotel in Santo Domingo. We believe the wide variety of commercial customers and the larger scale of contract projects make our contract channel a strong vehicle for cross-selling opportunities, increasing the visibility of our products and our market penetration. Although a large proportion of contract work is currently driven by B&B, the combination of our brands has provided us with the opportunity to broaden the scope of our contract work, offering a floor-to-ceiling contract service encompassing furnishings from B&B, kitchens from Arclinea and lighting solutions from Flos and Louis Poulsen. The D-Studio initiative will further develop this integration by providing "soft-contract" solutions to both B2B and B2C customers through specific points of sales.

DOS

Our DOS distribution channel is a powerful marketing tool that drives brand awareness, allows full control over our brands and often provides enhanced visibility to our end customers. As of December 31, 2020, Flos and B&B operated a total of five and ten DOS, respectively, and Louis Poulsen had seven showrooms (which while not operated as points of sale, are an important vehicle for driving sales, as customers who visit showrooms are encouraged to make purchases through the Louis Poulsen e-commerce site using sales terminals located in each showroom), all located in key luxury markets around the world in cities such as Milan, London, New York, Paris, Tokyo and Hong Kong. In addition, as part of the integration process of our brands, we have recently also broadened the range of products on display at certain of our DOS, featuring, for example, selected Louis Poulsen and/or Flos lighting solutions in B&B DOS, thereby increasing cross-selling opportunities by giving our customers the opportunity to purchase such products. DOS and directly-operated showrooms are a highly valuable distribution channel as they not only drive sales, but also increase brand strength, serving as a hub for marketing events and design fairs. Additional contribution to our existing DOS network will come from the D-Studio initiative which is expected to launch its first stores in Milan and Copenhagen over the course of 2021 and from the marketing of Fendi-branded products which we expect will rely on a dedicated store network.

Direct Online Sales

While currently only utilized in select markets by Flos and Louis Poulsen, we believe direct online sales represent a strong growth opportunity for us. Although B&B does not currently conduct any direct online sales, the new e-commerce platform which we expect to launch during the course of 2021 will provide an integrated back-end solution powering different websites for all the brands of the Group. In addition, the Acquisition is expected to provide an additional platform for the distribution of our products in North America and particularly B&B products which are currently not sold through the YDesign Group platforms.

Each of our brands also benefits from a strong digital channel and social media presence, which supports brand awareness across all of our distribution channels and supports earlier customer acquisition, as compared to traditional sales channels. B&B's corporate website, bebitalia.com, received an average of 1.3 million visits each month in the year ended December 31, 2020. Flos launched a new corporate website in December 2017, which received a Digital Design Award (a recognition awarded by an international jury for the best of Italian digital design) for Best Corporate Website and being named SiteInspire's Site of the Week and which in the first three months of 2021 received approximately 362 thousand unique visitors each month on average, which represents a 26% increase compared to the monthly average for the year ended December 31, 2020. In addition, our brands have enhanced ther presence on social media in recent years, with large fan bases and followers across all the main platforms, including Facebook, Instagram, LinkedIn, Pinterest and Twitter.

Unique brand power based on design heritage, iconic products, long-standing relationships with top designers and loyal networks of specifiers in local markets

Our business benefits from significant competitive advantages that make our business model difficult to replicate, including our iconic product portfolio, design heritage, long-standing relationships with top designers and specifiers and strong technical know-how. Our iconic brands benefit from association with a broad base of prestigious and globally renowned designers, such as Philippe Starck, Antonio Citterio, Jasper Morrison, Patricia Urquiola, Piero Lissoni, Barber & Osgerby, Ronan and Erwan Bouroullec, Konstantin Grcic, Vincent Van Duysen, Marcel Wanders and Michael Anastassiades at Flos, Poul Henningsen, Vilhelm Lauritzen, Arne Jacobsen, Finn Juhl and Verner Panton at Louis Poulsen and Antonio Citterio, Naoto Fukusawa, Jeffrey Bernett, Studio Kairos, Massaud, Gaetano Pesce, Buratti, Piero Lissoni and Vincent Van Duysen. We believe our privileged relationships with such designers and our ability to attract new promising designers represent a significant competitive advantage. Our relationship with designers is mutually beneficial, as it allows us to expand our brand recognition across a wider customer demographic and adds value for the designers, who gain prestige and visibility by working with leading furniture and lighting brands. Some of our designers have collaborated with our brands for many years, creating a strong design relationship and mutual understanding of the needs and preferences of our customer base. Many of our designer partners have received multiple awards and recognitions for their designs and have their designs held in the collections of museums around the world. For more information on our contractual arrangements with designers, see "*Our Business—Flos—Agreements with Designers*", "*Our Business—Louis Poulsen—Agreements with Designers*" and "*Our Business—B&B—Agreements with Designers*".

Designers collaborate closely with our internal research and product development teams, which have accumulated extensive technical expertise and industry knowledge over decades and continually support our design innovation. The research and product development teams add substantial value to designers, providing an extensive knowledge base on product feasibility with respect to design, materials and market success; research on the latest trends, materials and technological innovations; design and development support for concepts, prototypes and molds; negotiation support with suppliers to ensure high component quality standards at competitive prices; and centralized assembly process and production planning. In addition, management teams at each of our brands ensure that any new design that is being proposed or considered internally is fully consistent with the relevant brand's image and philosophy, which we believe is key to the success of any product and the continued integrity of our brands.

In addition to our ability to attract and maintain relationships with world-renowned designers to create unique pieces for our product portfolio, we also benefit from strong relationships with a widespread network of specifiers, especially smaller, committed professional design and architecture studios that continually choose and promote our products to meet the design needs of their clients. We consider these specifiers, which we define as any party that is involved in the purchasing decision but is not the end user of our products, including but not limited to architects, interior designers, lighting engineers and landscape architects, a loyal and resilient customer intermediary that, through repeat business, provides us with a significant competitive advantage locally in the geographic markets we serve and add to our recognition with end customers.

Strong financial profile with proved resiliency and cash generation during the COVID-19 outbreak

Our brands have demonstrated business resilience throughout the COVID-19 outbreak, as evidenced by our 2020 end-of-year results. Our total revenue and Adjusted EBITDA for the year ended December 31, 2020 were €526.1 million and €128.7 million, respectively, marking a 6.9% decrease and a 1.2% increase with respect to the year ended December 31, 2019. As a producer of high-end design products, we believe our retail end customer base has significant disposable income and tends to be less affected by the economic cycle than customers in other segments. In addition, over the last year we have put in place specific initiatives to increase our economic resiliency, mainly reducing discretionary spend and other costs associated with activities that were affected by the COVID-19 pandemic, such as travel and marketing related expenses, including as a result of the cancellation of fairs and other events, and reducing our fixed costs by outsourcing certain manufacturing processes to carefully selected third-party assemblers. We believe that we may continue to benefit from some of these initiatives, in particular those relating to the digitalization of our marketing activities, also after the end of the pandemic. In addition, we have continued to pursue an increasing diversification of our business, with the most relevant country only accounting for approximately 13.6% of our revenue for the year ended December 31, 2020. The introduction of LED products has also resulted in reduced operating costs for Flos and Louis Poulsen over the last few years, while at the same time improving the duration of the underlying products.

Our strong cash generation has historically been driven primarily by high profitability levels and low capital expenditure. Our Adjusted EBITDA margin has increased during the COVID-19 outbreak, from 22.5% for the year ended December 31, 2019 to 24.5% for the year ended December 31, 2020. At the same time, our cash generation has continued steadily throughout 2020, with adjusted net financial debt (excluding IFRS 16 lease liabilities) decreasing from €667.7 million for the year ended December 31, 2019 to €632.0 million for the year ended December 31, 2020. In this context, the Acquisition is expected to further strengthen our resiliency and financial profile, given YDesign strong growth performance in the year ended December 31, 2020 (despite COVID-19 outbreak, net sales and Adjusted EBITDA increased by 10.2% and 11.0%, respectively) and our exposure to the growing U.S. online high-end design market.

Our business is characterized by limited capital expenditure requirements, with capital expenditures as a percentage of revenues representing only 4.3% for the year ended December 31, 2020. We expect our maintenance capital expenditure requirements as a percentage of total revenues to remain broadly in line with such level. However, in light of our strong cash generation performance in the past two years and the resiliency of our business during the COVID-19 pandemic, we expect to increase our growth-related capital expenditures in the next few years to achieve better access to end customers, and further strengthen our leadership position in the market. In particular, we expect such increased investments to focus on, among other things, actions to accelerate the digital transformation of the Group (e.g., implementation of the new e-commerce platform and the update of the Group's enterprise resource planning (ERP) and enterprise performance management (EPM) systems) and common initiatives among the brands to strengthen our distribution in selected growing markets. See "*—Our Strategies*". For more information on our capital expenditures, see also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Expenditures*".

In addition, a significant part of our production, in particular that associated with our furniture solutions, is typically made to order. The make-to-order approach we adopt for a large portion of our products enables us to maintain control over the value chain. In addition, where we do not operate on a make-to-order basis, the long lifespan of our products lowers inventory risk. Moreover, approximately 54% of our cost base is variable for the year ended December 31, 2020. In addition, we believe that our brand strength gives us strong pricing power, typically allowing us to pass the effects of increased raw material and component costs or adverse exchange rate fluctuations to our customers.

Experienced management team backed by a strong holding structure and committed shareholders

All the Group companies operate under the strategic guidance of the management and of the board of directors of Design Holding. At Design Holding level, our former Chief Executive Officer Gabriele Del Torchio will remain with the Group as non-executive Chairman, continuing to contribute to the development of our business. A search for a new Chief Executive Officer of Design Holding is ongoing and will follow the most rigorous international standards. Design Holding has also recently reinforced its holding structure through the hires of a centralized management team in charge of overseeing the overall operations of the Group and coordinating with each operating company. Such team will include a Group Chief Digital Officer, Group Head of Contract, Group Head of Marketing, Group Head of Human Resources, Group Head of E-commerce and Group Head of China. All of our recently hired personnel have long-standing experience and proved track-record in their respective fields. See "*Management*". Additionally, the executive teams at Flos, Louis Poulsen and B&B are highly experienced in leading and growing successful design businesses, with relevant prior experience at large international companies. We expect that, as part of the Acquisition, certain members of the current management team of YDesign will reinvest a portion of their respective proceeds into U.S. BidCo, corresponding to approximately 2% of its issued and outstanding equity interests. See "*Summary—The Transactions—The Acquisition*".

This experienced management team is backed by our principal shareholders, Investindustrial and Carlyle, each of which has successfully invested in the design and luxury industries both in Europe and worldwide. We believe that our current management team and ownership structure will allow us to continue to attract and retain the industry's top talent, further driving profitable growth. See "*Principal Shareholders*".

Our Strategies

The key elements of our strategy are:

Expand our geographic reach especially in selected growing markets

As part of our initiative to grow our store network, we plan to also strategically expand our geographic reach in markets where we expect to see continued growth, particularly outside of Europe. We aim to expand the reach of Flos, Louis Poulsen and B&B within North America and the Asia Pacific region ("**APAC**"). Moreover, expansion in China is one of our strategic priorities and, to that end, we have appointed a Group Head of China who will oversee the commercial efforts in the region, including the opening of local stores, the roll-out of mono-brand stores with local partners and a digital-led marketing strategy to generate brand awareness and support distribution of products in the area. In addition, the Acquisition is expected to further foster our market penetration in North America, which will give us access to YDesign Group's large database of more than 800,000 customers, including architects and interior designers that are key specifiers in this geography. See also "*—Pursue strategic acquisition opportunities that align with our overall goals and objectives*".

Develop our store network and foster growth of our online segment

As part of the integration process of our brands, we have recently broadened the range of products on display at certain of our DOS, featuring, for example, selected Louis Poulsen and/or Flos lighting solutions in B&B DOS in an environment designed to enhance the design identity of each brand while at the same time emphasizing the relationship among the products, thereby increasing cross-selling opportunities by giving our customers the opportunity to purchase such products. In addition, we are developing the D-Studio initiative consisting of the creation of multi-brand and multifunctional flagship stores representing unified points of sales where all products will be sold individually or through tailor-made projects providing "soft-contract" solutions for B2C and B2B customers. The D-Studio pioneering initiative aims at maximizing the cross-selling potential among our brands. We expect the first D-Studio stores to open in Copenhagen and Milan over the course of 2021, which might be trailblazers of additional D-Studio stores in the future. We expect to continue to grow our store network through the recently-launched joint venture partnership with Fendi, which contemplates the opening of a large network of dedicated DOS for the sale of Fendi-branded design products manufactured by us. In addition to the above, we are currently planning the roll-out of our new e-commerce platform which we expect to be initially launched with Flos before the end of 2021 to target the main markets in continental Europe and the U.K., to then expand to the other Group companies and geographies. Finally, the Acquisition is expected to further expand our online segment and strengthen our presence in the North American market. After giving pro forma effect to the Acquisition, we estimate that the portion of our revenue for the year ended December 31, 2020 represented by online sales would have been approximately 22%. In addition to online sales, we intend to continue to develop digital relationships with our existing and potential customers, including through online marketing, social media outreach, online sales support, digital product configurators and partnering with social media influencers to promote our products and visibility.

Continue to strengthen and extend our product portfolio

Our product portfolio is a key element of our success, and we intend to continue to invest in research and product development with the aim of further strengthening and extending this portfolio both with redesigns or new configurations of existing products and introductions of new, complementary designs. We intend to continue adapting to evolving technology while building on the strength and success of our timeless iconic products. We expect to continue to launch new products and to coordinate our marketing and advertising efforts through a single and pre-defined strategy for the Group. Between 2018 and 2020, Flos, LP and B&B launched approximately 16, 14 and 22 new products (including extensions of existing product lines) on average each year, respectively, a rate of new product launches that we expect to continue.

Drive operational excellence and finalize synergy deployment from Group integration and the Acquisition

Our key operational priority, along with maintaining and improving our high quality standards, is to finalize the deployment of synergies from the creation of Design Holding. Management estimates a potential €6.0 million of expected run-rate annual revenue and cost synergies positively impacting our Adjusted EBITDA in the medium-term. In particular, revenue synergies include estimated incremental annual run-rate EBITDA of €4.7 million we expect to generate in 2022 from sales from our two D-Studio stores that we plan to open during 2021 and sales of our products on the centralized e-commerce platform that we plan to launch in 2021. Cost synergies include estimated run-rate annual cost savings of €1.3 million from initiatives that we have already started implementing as of the date of this Offering Memorandum, related to the transfer of the production of selected architectural products of Flos and Louis Poulsen to our Spanish facilities and the opening and recent renovation of the Arclinea headquarters and training center in Caldogno, in northeastern Italy. We also expect to achieve €3.2 million of additional annual run-rate revenue synergies from the Acquisition, which we expect to fully realize in 2022, mainly deriving from (i) sales on the YDesign platform of our products, including B&B products which are currently not sold by YDesign and (ii) revenues from the sale of YDesign's private label products which YDesign is currently considering to set up in categories which we do not expect to compete with the Group products. For additional information, including on expected minor one-off costs and capital expenditure which are not reflected in these adjustments, see "*Summary Historical Financial Information and Other Data—Other Financial and Pro Forma Data*".

Pursue strategic acquisition opportunities that align with our overall goals and objectives

Our global footprint and diverse product portfolio create opportunities for acquisitions of selected brands in the high-end design market or adjacent markets that may bolster or complement our existing offering and geographical footprint. We are open to considering and we constantly scrutinize additional strategic acquisitions, some of which could be significant in size, to add to our portfolio, capitalize on our competitive strengths, expand our geographic footprint and reach in jurisdictions, including outside of Europe, where we see potential growth opportunities and/or where we currently have limited operations, further diversify our product offering, preserve or improve our financial performance and/or benefit from further consolidation expected in the design industry. Any further potential acquisition opportunities will be evaluated in light of a prudent and rigorous analysis to preserve a strong financial position. We will continue to apply a disciplined approach to pricing in connection with these potential acquisitions and will place significant emphasis on carefully planning and executing our acquisition strategy. As part of this strategy and to the extent possible, we will aim to use the investments we have already made in our IT, finance, operational, governance and business processes to reduce costs associated with on-boarding acquired businesses and will aim to utilize these synergies to benefit the entire Group.

Continue to leverage and nurture our relationships across the design value chain

In addition to our long-standing relationships with top designers that form a key competitive advantage, we also benefit significantly from positive relationships with loyal specifiers, particularly from the architect and designer community serving the local markets where we are present. These specifiers raise our profile and support our success across the value chain from the creation of the designs, to the development of the products and the final distribution to customers. We intend to continue fostering these long-standing relationships, which in turn support our ability to attract and retain new designers and promote our products to new specifiers. We believe that operating as a single one-stop-shop under one joint strategic direction will enable us to increase our ability to attract new talents and enhance the visibility of our brands. See "*—Drive operational excellence and finalize synergy deployment from Group integration and the Acquisition*".

Principal Shareholders

The Issuer is beneficially owned by Investindustrial and Carlyle.

The Investindustrial group is a leading European investment and advisory group with over €11 billion of raised fund capital, which provides industrial solutions and capital to European high-quality mid-market companies. Founded in 1990 from an industrial conglomerate, the Investindustrial group operates with a deeply rooted approach to ESG issues and the support of one cohesive team of approximately 150 professionals with independently managed investment and advisory companies in Lugano, London, Luxembourg, Madrid, New York and Shanghai. Investindustrial is mainly focused on the following sectors: Healthcare & Services, Industrial Manufacturing, Consumer & Leisure, and Technology. Companies in the Investindustrial group are managed independently from each other and funds are managed in the exclusive interest of their own limited partners.

Founded in 1987, The Carlyle Group is a global alternative asset manager and one of the world's largest global private equity firms with approximately $246 billion of assets under management across 132 funds and 283 funds of funds vehicles as of December 31, 2020. The Carlyle Group invests across four segments—Corporate Private Equity, Real Assets, Global Credit and Investment Solutions—in Africa, Asia, Australia, Europe, the Middle East, North America and South America. The Carlyle Group has expertise in various industries, including technology, media and telecommunications, aerospace, defense and government services, consumer and retail, energy, financial services, healthcare, industrial, real estate, and transportation. The Carlyle Group employs more than 1,800 employees, including over 675 investment professionals, in 29 offices across six continents.

The Issuer

The Issuer is a joint stock company (*società per azioni*) incorporated in Italy and is registered with the Companies' register of Milan-Monza-Brianza-Lodi under registration number and fiscal code 10462810960. The registered office of the Issuer is at Via Alessandro Manzoni, 38, 20121 Milan, Italy.

The Transactions

The Refinancing

A portion of the cash proceeds from the offering of the Notes, together with available cash on the Issuer's balance sheet, will be used by the Issuer to satisfy and discharge and ultimately redeem the Existing Floating Rate Notes at a price of 100% of the aggregate principal amount thereof, plus accrued and unpaid interest to, but excluding, the date of redemption, and additional amounts, if any (the "**Refinancing**"). For purposes of the Refinancing:

(i) €228.3 million of the Existing Floating Rate Notes, the proceeds of which were used by the Issuer to, among others, finance the acquisition by the Issuer of Flos, B&B and Danish

HoldCo and to fund a portion of the Danish HoldCo I/C Loan to Danish HoldCo, will be redeemed with proceeds from Tranche A (as defined under "*Sources and Uses*") under the Notes;

(ii) €52.9 million of the Existing Floating Rate Notes, the proceeds of which were used by the Issuer to fund a portion of the Flos I/C Loan to Flos, will be redeemed with the proceeds from Tranche B (as defined under "*Sources and Uses*") under the Notes; and

(iii) €38.8 million of the Existing Floating Rate Notes, the proceeds of which were used by the Issuer to fund a portion of the B&B I/C Loan to B&B, will be redeemed with the proceeds from Tranche C (as defined under "*Sources and Uses*") under the Notes.

We expect that the Existing Floating Rate Notes will be satisfied and discharged on the Issue Date and ultimately redeemed shortly thereafter.

The Acquisition

On April 12, 2021, the Issuer (only as the guarantor of the pre-closing obligations of U.S. BidCo (as defined below) under the Acquisition Agreement (as defined below) to the extent not performed by U.S. BidCo), together with IDG Apollo Parent Inc., a Delaware corporation and a newly-formed and wholly-owned subsidiary of the Issuer (**"U.S. BidCo"**), IDG Apollo Merger Sub LLC, a Delaware limited liability company and a newly-formed and wholly-owned subsidiary of U.S. BidCo ("**U.S. MergerCo**"), entered into an Agreement and Plan of Merger (the "**Acquisition Agreement**") with YDesign and Alpine Management Services III, LLC, as representative of the holders of equity interests of and employee appreciation bonuses granted by YDesign (the "**Seller Representative**") providing for the acquisition of YDesign through the merger of U.S. MergerCo with and into YDesign, with YDesign surviving the merger (the "**Acquisition**" or the "**Target Merger**").

As a result of and at the effective time of the Target Merger (the "**Effective Time**"), the existence of U.S. MergerCo will automatically cease and YDesign will continue as the surviving company and as a direct and wholly-owned subsidiary of U.S. BidCo. At the Effective Time, all of the membership interest units (other than the equity interests of YDesign held by it in treasury or by U.S. BidCo, U.S. MergerCo or any of their respective subsidiaries) and vested profits interests of YDesign issued and outstanding immediately prior to thereto, along with the vested equity appreciation bonuses granted by YDesign to certain employees of YDesign, will be cancelled and converted into the right to receive a portion of the Target Merger consideration. At the Effective Time, the unvested profits interests of YDesign and unvested equity appreciation bonuses will be forfeited and cancelled for no consideration.

We expect that, as part of the Acquisition, immediately prior to the Target Merger, certain members of the current management team of YDesign will reinvest a portion of their respective proceeds into U.S. BidCo (the "**Target Management Reinvestment**"), as a result of which, immediately following the consummation of the Target Merger, the Issuer is expected to hold approximately 98% of the issued and outstanding equity interests of U.S. BidCo and such of YDesign's management team are expected to collectively hold approximately 2% of the issued and outstanding equity interests of U.S. BidCo. As negotiations in respect of the Target Management Reinvestment are still ongoing as of the date of this Offering Memorandum, we cannot exclude the possibility that YDesign management will reinvest the relevant proceeds at the level of YDesign, as opposed to U.S. BidCo. In addition to the Target Management Reinvestment, we expect to put in place customary compensation schemes as of or immediately following the Completion Date, which in the future may result in the issuance of further equity interests of the relevant entity to YDesign management.

As of the date of this Offering Memorandum, the consummation of the Acquisition, and by extension all transactions related thereto, are subject to, among other customary conditions: (i) expiration or termination of the waiting periods (including any extensions thereof) applicable to the Acquisition under any relevant antitrust or competition laws (the "**Antitrust Laws**"), such as the Hart Scott Rodino Antitrust Improvements Act of 1976, as amended (the "**HSR Act**"), or (ii) otherwise obtaining all consents, waivers, approvals, orders, authorizations, registrations, declarations, notices and filings as may be required under the Antitrust Laws, including as a result of any filing with the U.S. Federal Trade Commission or the Antitrust Division of the U.S. Department of Justice. See "*Risk Factors—Risks Related to the Transactions—The Acquisition is subject to a number of conditions, which, if not fulfilled or if not fulfilled in a timely manner, may result in termination of the Acquisition Agreement*" and "*Risk Factors—Risks Related to the Transactions—The Acquisition is subject to the receipt of governmental clearance that may impose conditions that could have an adverse effect on the parties or, if not obtained, could prevent consummation of the Acquisition*".

The Acquisition consideration will be determined at the Completion Date in accordance with the provisions of the Acquisition Agreement and will depend on, inter alia, certain customary adjustments for cash, transaction expenses, indebtedness and other debt-like items and normalized working capital above or below a certain target level. For further information, see "*—Sources and Uses*". The Acquisition Agreement contains certain termination rights of YDesign and U.S. BidCo, including the right of each party to terminate if the transactions contemplated by the Acquisition Agreement have not been consummated prior to or on October 12, 2021.

The Financing of the Acquisition

On or prior to the Completion Date, following the Escrow Release (as defined below), we expect that the Issuer will use the net proceeds from the Notes available under Tranche A (as defined under "*Sources and Uses*") thereunder released from the Escrow Account and certain available cash on balance sheet, in each case converted into USD, to transfer approximately $180.4 million to U.S. BidCo by way of an equity contribution of approximately $108.2 million and an intercompany loan for an aggregate principal amount of approximately $72.2 million (the "**U.S. BidCo Proceeds Loan**"). The amount of such equity contribution and/or the U.S. BidCo Proceeds Loan may vary from the above estimated amount due to a number of factors, including the timing of the Completion Date, the amount reinvested by certain members of the current management team of YDesign as part of the Target Management Reinvestment and the fluctuation of the U.S. Dollar to euro exchange rate between the date of this Offering Memorandum and the Completion Date. We may enter into hedging arrangements to hedge against such exchange rate risk. See "*Risk Factors—Risks Related to the Transactions*" and "*—Escrow Account*".

U.S. BidCo will use the proceeds from such equity contribution and the U.S. BidCo Proceeds Loan to fund the consideration payable on the Completion Date under the Acquisition Agreement, fully repay and discharge certain minor existing indebtedness of the Target and pay fees and expenses incurred in connection with the Acquisition.

We refer to the offering of the Notes hereby, the Refinancing, the Acquisition and any actions or steps related thereto, collectively, as the "**Transactions**".

Escrow Account

Pending consummation of the Acquisition, the Initial Purchasers will, concurrently with the issuance of the Notes on the Issue Date, deposit €150.0 million of gross proceeds from the offering of the Notes available under Tranche A (as defined under "*Sources and Uses*") under the Notes into the Escrow Account. The Escrow Account will be in the name of the Issuer, controlled by the Escrow Agent and pledged in favor of the Trustee on behalf of the holders of the Notes. The release of the escrowed proceeds from the Escrow Account (the "**Escrow Release**") will be subject to the satisfaction of certain conditions, including the completion of the Acquisition pursuant to the terms of the Acquisition Agreement within two Business Days following the Escrow Release. If the conditions to the Escrow Release have not been satisfied on or prior to November 20, 2021 (the "**Escrow Longstop Date**"), the Issuer will be required to redeem Notes with an aggregate issue price equal to €150.0 million at a redemption price equal to the issue price of such Notes plus accrued and unpaid interest from the Issue Date to but excluding such special mandatory redemption date and additional amounts, if any. The redeemed Notes shall be selected pro rata for redemption from all of the Notes. See "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*".

Sources and Uses

The expected estimated sources and uses of the funds necessary to consummate the Transactions are shown in the table below. Actual amounts are subject to adjustment and may differ from these estimated amounts, depending on several factors, including the amount of debt, cash and cash equivalents held by the Target, the amount reinvested by certain members of the current management team of the Target as part of the Target Management Reinvestment and the actual amount of the fees and expenses incurred in connection with, the timing of the Completion Date and the fluctuation of the U.S. Dollar to euro exchange rate between the date of this Offering Memorandum and the Completion Date. This table should be read in conjunction with "*Use of Proceeds*" and "*Capitalization*".

Sources	(€ in millions)	Uses	(€ in millions)
Notes offered hereby[(1)]	470.0	Redemption of Existing Floating Rate Notes[(2)]	320.0
Cash on balance sheet of the Issuer	5.4	Accrued interest on Existing Floating Rate Notes[(3)]	0.3
		Acquisition of YDesign[(4)]	144.7
		Estimated fees and expenses[(5)]	10.4
Total sources	**475.4**	**Total uses**	**475.4**

(1) Assumes the Notes will be issued at par.

(2) Represents the outstanding aggregate principal amount of the Existing Floating Rate Notes. On the Issue Date, the Issuer will use a portion of the proceeds from the Notes offered hereby and available cash on balance sheet to deposit with the trustee for holders of the Existing Floating Rate Notes (or an agent thereof) an amount sufficient to redeem the Existing Floating Rate Notes in full (including accrued interest to, but excluding, the expected date of redemption). In particular, for purposes of the Refinancing: (i) €228.3 million of the Existing Floating Rate Notes, the proceeds of which were used by the Issuer to, among others, finance the acquisition by the Issuer of Flos, B&B and Danish HoldCo and to fund a portion of the Danish HoldCo I/C Loan to Danish HoldCo, will be redeemed with proceeds from tranche "A" under the Notes which, in aggregate, is expected to be equal to approximately €378.3 million ("**Tranche A**"); (ii) €52.9 million of the Existing Floating Rate Notes, the proceeds of which were used by the Issuer to fund a portion of the Flos I/C Loan to Flos, will be redeemed with proceeds from tranche "B" under the Notes which, in aggregate, is expected to be equal to approximately €52.9 million ("**Tranche B**"); and (iii) €38.8 million of the Existing Floating Rate Notes, the proceeds of which were used by the Issuer to fund a portion of the B&B I/C Loan to B&B, will be redeemed with the proceeds from tranche "C" under the Notes which, in aggregate, is expected to be equal to approximately €38.8 million ("**Tranche C**"). We expect that the Existing Floating Rate Notes will be redeemed in full on the Issue Date or shortly thereafter, as notified to the holders of the Existing Floating Rate Notes pursuant to the conditional notice of redemption dated May 10, 2021. See also "*Capitalization*". For further information on Tranche A, Tranche B and Tranche C, see "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*". For the avoidance of doubt, the "virtual tranching" of the Notes is aimed at identifying the separate portions of the proceeds of the Offering being used to consummate the Acquisition and the various elements of the Refinancing, respectively, and will not entail issuing separate identifiers (ISINs or common codes) for each such tranche.

(3) Represents accrued and unpaid interest on the Existing Floating Rate Notes from May 15, 2021 (which is the next interest payment date) to, but excluding, an estimated date of redemption of May 20, 2021. See also footnote (1) under "*Capitalization*" where we have adjusted our Cash and short-term deposits for, *inter alia*, the payment of accrued interest on the Existing Notes to be made on May 15, 2021.

(4) Represents the estimated euro amount required to complete the Acquisition to be partially funded with the proceeds from Tranche A under the Notes. The total amount required to complete the Acquisition on the Completion Date may vary from the amount indicated due to a number of factors, including the effect of adjustments to the Acquisition consideration pursuant to the Acquisition Agreement, the timing of the Completion Date, the amount reinvested by certain members of the current management team of YDesign as part of the Target Management Reinvestment and the fluctuation of the U.S. Dollar to euro exchange rate between the date of this Offering Memorandum and the Completion Date. We may enter into hedging arrangements to hedge against such exchange rate risk. See "*Risk Factors—Risks Related to the Transactions*", "*—The Transactions—The Acquisition*", "*—The Transactions—Escrow Account*" and "*Capitalization*".

(5) Represents estimated transaction costs associated with the Transactions, including initial purchaser discounts, commitment and financial advisory fees, hedging fees (if any) and other transaction costs and professional expenses to be partially funded with the proceeds from Tranche A under the Notes.

Recent Developments

Current Trading for the Three Months Ending March 31, 2021 and Current Outlook

The preliminary indications set forth below are based on an initial review of our and YDesign's results of operations from the respective management accounts. Neither our nor YDesign's independent auditors or any other independent auditors have audited, reviewed, compiled or performed any procedures with respect to such preliminary unaudited financial information for the purpose of its inclusion herein or for any other purposes and, accordingly, neither our nor YDesign's independent auditors or any other independent auditors have expressed an opinion or provided any form of assurance with respect thereto for the purpose of this Offering Memorandum. Furthermore, the preliminary unaudited financial information below does not take into account any circumstances or events occurring after the period to which it refers. The preliminary unaudited information set forth below regarding our and YDesign's results for the periods indicated is based on management accounts and systems and in part on estimates. We believe the estimates underlying the financial information presented below may provide investors with a helpful indication of the development of our and YDesign's results of operations following December 31, 2020. However, our actual results for the first quarter of 2021 may differ materially from the trends and ranges included herein. The preliminary information set forth below should not be regarded as an indication, forecast, capsule financial information or representation regarding our financial results for the three months ending March 31, 2021 and neither our nor YDesign's independent auditors will audit, review, compile or perform any procedures with respect to such preliminary unaudited financial information. You should therefore not place undue reliance on the preliminary information presented below. The information presented below also includes our total sales and information on our EBITDA margin adjusted for the three months ended March 31, 2019 and 2020, which have been derived from our management accounts to improve comparability with the preliminary figures for the three months ending March 31, 2021. Neither our independent auditors nor any other independent auditors have audited, reviewed, compiled or performed any procedures with respect to such financial information. The revenue recognition and measurement criteria we utilize in our management accounts are different from those we utilize in our statutory accounts. Therefore, total sales and operating results from our management accounts are marginally different from revenues and operating results deriving from our statutory accounts and consolidated financial statements. See "Forward-Looking Statements", "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Presentation of financial and other information—Non-IFRS Financial Measures".

As of the date of this Offering Memorandum, we have not finalized trading results for the three months ending March 31, 2021. However, based on preliminary results derived from our unaudited management accounts and other information currently available to management, we estimate our total sales for the three months ending March 31, 2021 to be between €144 million and €148 million, compared to €121.1 million for the three months ended March 31, 2020 and €125.5 million for the three months ended March 31, 2019. The expected increase was primarily driven by Louis Poulsen's and B&B's strong performance in the residential market in the Nordics and continental Europe. In the first quarter of 2021, despite the modest results we achieved in our Contract channel mainly as a consequence of the protracted adverse effects of the COVID-19 pandemic, the otherwise strong performance of all our brands resulted in the growth of our order intake for such period by approximately 33% compared to the same period in 2020 and approximately 31% compared to the same period in 2019.

In addition, we estimate our EBITDA margin adjusted for the three months ending March 31, 2021 to be marginally higher than the EBITDA margin adjusted for the year ended December 31, 2020, representing an increase compared to an EBITDA margin adjusted of 18.8% for the three months ended March 31, 2020 and 18.6% for the three months ended March 31, 2019. The expected EBITDA margin adjusted increase was primarily attributable to our positive performance in the period as well as the impact of certain one-off costs in connection with the remodeling of one of our DOS in Milan which we expect to re-open during the course of 2021 in our new "D-Studio" format.

Based on preliminary results derived from YDesign's unaudited management accounts and other information currently available, we estimate that YDesign's net sales increased to approximately U.S.$174 million (or approximately €150 million) for the twelve months ending March 31, 2021, from U.S.$163.2 million (or €143.6 million) for the year ended December 31, 2020, and YDesign's EBITDA adjusted increased to approximately U.S.$14 million (or approximately €12 million) for the twelve months ending March 31, 2021, from U.S.$13.3 million (or €11.7 million) for the year ended December 31, 2020, mainly as a result of the growth of the business, which delivered particularly strong revenue and gross margin performance in the first quarter of 2021, which was partially offset by increased marketing costs for the Consumer segment. See "*Business—YDesign*".

On the basis of the above preliminary estimated unaudited results and additional management considerations, we estimate our Pro Forma Synergized EBITDA for the twelve months ending March 31, 2021 to be between €164 million and €167 million, compared to €152.7 million for the year ended December 31, 2020, with the amount of estimated synergies included in such period being marginally lower than the amount for the year ended December 31, 2020, and our Pro Forma Adjusted Net Financial Debt (net of IFRS 16 lease liabilities) as of March 31, 2021 to be approximately €771.4 million, compared to €787.4 million as of December 31, 2020. See *"Summary Historical Financial Information and Other Data—Other Financial and Pro Forma Data"* for information on our Pro Forma Synergized EBITDA and Pro Forma Adjusted Net Financial Debt.

Although the ultimate effects of the COVID-19 pandemic in the markets where we operate are still uncertain as of the date of this Offering Memorandum, as the main economies around the world are slowly healing, we expect that the improving global economic outlook will result in a continuation of the positive trends we have experienced in the first quarter of 2021. We expect our efforts to expand our store and online networks through, among other things, the launch of a joint e-commerce platform, our "D-Studio" initiative and the acquisition of YDesign, to increase the digitalization of our business model and modernize our IT infrastructure, to control our operating costs and finalize the deployment of synergies from the creation of Design Holding, will continue to support our revenue growth and cash flow generation and further stabilize our profitability in the short to medium term. For more information on these initiatives, see "*—Our Strategies*". See also "*Forward-Looking Statements*".

Joint Venture with Fendi

On May 3, 2021, we announced joint venture partnership Fashion Furniture Design S.p.A. ("**FF Design**") with Maison FENDI ("**Fendi**"), an Italian luxury brand that is part of the LVMH Group, in order to develop the "Fendi Casa" business. Design Holding, through the Issuer, is the majority shareholder of FF Design.

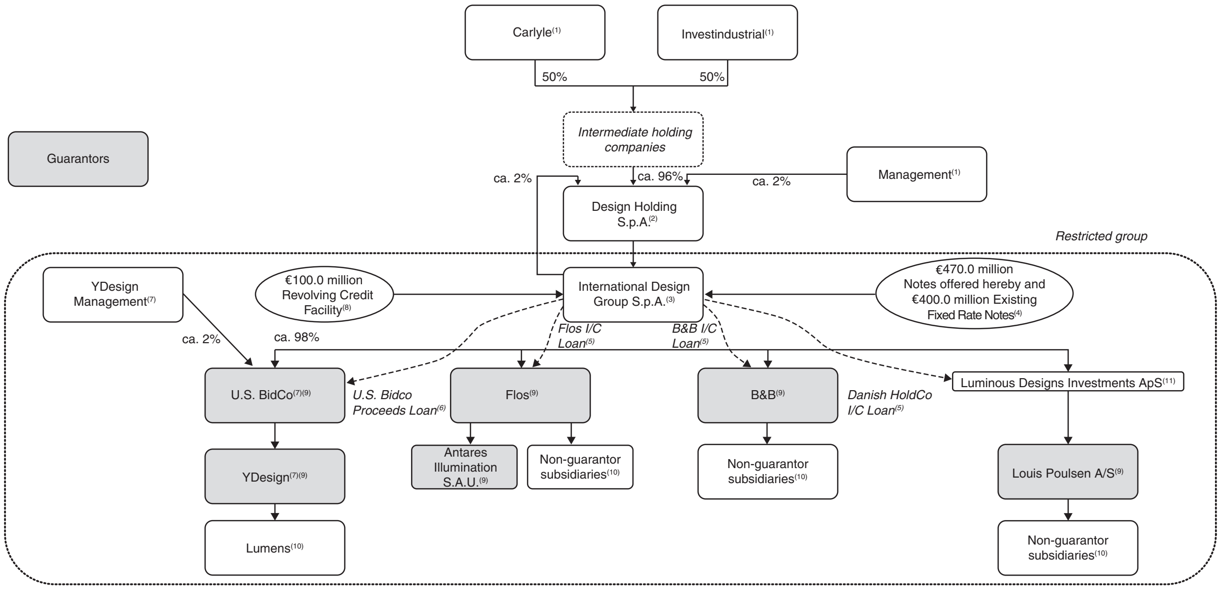
As of the date of this Offering Memorandum, FF Design has already been developing the new Fendi Casa collections that we plan to present at the 2022 *Salone del Mobile* design fair in Milan. We expect such collections to be available for sale through carefully selected third-party points of sale as well as a network of new mono-brand shops. We expect FF Design to be fully operational and start making sales from January 2022.

As part of this project, we have also created a new company, Design Quality Manufacturing S.p.A. (which is directly wholly owned by the Issuer), which will oversee the entire manufacturing of the Fendi Casa collections. The operations of such company are based in the B&B Italia production plant in Misinto (north of Milan, in the Brianza area) and will benefit from our superior know-how in product development and made in Italy production. In 2021, we expect to make approximately €6 million of investments in FF Design, mainly in respect of the factory setup, the opening of two new mono-brand DOS in Milan and Paris and the integration of the information technology system.

We believe that through FF Design we will be able to combine the design development qualities and powerful heritage of the Fendi brand and our unique know-how to create a brand that has the potential to benefit from both the tradition and innovation typical to the Fendi brand, on the one hand, and our leadership in the international high-end design market, on the other. We also believe that a joint venture with a brand such as Fendi, which combines tradition and modernity, will provide us with the opportunity to further consolidate our presence in international markets, specifically in Asia. Furthermore, FF Design is aligned with our strategies to expand our business geographically and further strengthen and extend our product portfolio. For more information on our strategies, see "*Summary—Our Strategies*".

CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS

The following chart shows a simplified summary of our corporate and financing structure as of the date of this Offering Memorandum adjusted to give effect to the Transactions. The chart does not include all of our subsidiaries or all the debt obligations thereof. For a summary of the debt obligations identified in this diagram, please refer to the sections entitled "*Description of Notes*", "*Description of Certain Financing Arrangements*" and "*Capitalization*". Unless otherwise indicated, entities shown in the chart are wholly owned.



(1) As of the date of this Offering Memorandum, each of Carlyle and Investindustrial have joint beneficial ownership, indirectly through intermediate holding companies, of approximately 96% of the share capital of the Issuer. Certain employees and members of management indirectly hold, via Design Holding S.p.A. ("**Design Holding**"), approximately 2% of the share capital of the Issuer and the Issuer indirectly owns, via Design Holding, the remaining approximately 2% of its share capital. See "Principal Shareholders".

(2) The management team that oversee the operations of the Group is employed by Design Holding. For further information, see "*Management*".

(3) The Issuer is a holding company incorporated under the laws of Italy as a joint stock company (società per azioni). See "*Risk Factors—Risks Related to Our Structure and Our Indebtedness—The Issuer is a holding company that has no revenue generating operations of its own and depends exclusively on cash from its operating companies, including, following the Acquisition, the Target Group*".

(4) On the Issue Date, the Notes will be senior obligations of the Issuer, will not be guaranteed and will be secured on a first-ranking basis by Escrow Charge. Subject to certain agreed security principles and certain material limitations pursuant to applicable laws, the Notes will be secured on a first-ranking basis, within five Business Days from the Issue Date, by the Initial Collateral, within 20 Business Days from the Issue Date, by the Post Issue Date Collateral and, within 90 days from the Completion Date, by the Post Completion Date Collateral. Within 20 Business Days from the Issue Date, the Notes will be guaranteed on a senior basis by the Initial Guarantors. Within 90 days following the Completion Date, the Notes will be guaranteed on a senior basis by the U.S. Guarantors. The Notes Guarantees will be subject to certain agreed security principles and certain material limitations under applicable law, as described under "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*". See also "*Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral—The Notes Guarantees and the 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*", "*Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Notes Guarantees and the Collateral may adversely affect the validity and enforceability of the Notes Guarantees and the Collateral*", "*Summary—The Offering—Security*" and "*Description of Notes—Security*". The Guarantors also guarantee or will guarantee, as applicable, on a senior basis the Existing Notes and the Revolving Credit Facility. The Collateral also secures or will secure, as applicable, on a first-ranking basis the Existing Notes and the Revolving Credit Facility and certain hedging obligations (if any). Under the terms of the Intercreditor Agreement, in the event of enforcement of the Collateral, holders of the Notes will receive proceeds from the Collateral only after the lenders under the Revolving Credit Facility and counterparties to certain super priority hedging obligations have been repaid in full. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*". The security interests in the Collateral may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability and may be released under certain circumstances. See "*Description of Notes—Security*" and "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*" and "*Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral*".

(5) On November 22, 2018, with a portion of the proceeds from the offering of the Existing Notes, the Issuer made (i) the Flos I/C Loan to Flos in an amount of €119.2 million in order to refinance certain previously existing indebtedness of Flos; (ii) the B&B I/C Loan to B&B in amount of €87.5 in order to refinance certain previously existing indebtedness of B&B; and (iii) the Danish HoldCo I/C Loan to Luminous Designs Investments ApS, which made a subsequent proceeds loan to Luminous Designs Denmark ApS, both in an amount of €101.5, to refinance certain previously existing indebtedness of Luminous Designs Denmark ApS. The subsequent proceeds loan by Luminous Designs Investments ApS to Luminous Designs Denmark ApS no longer have any effect due to the completion of the Danish Merger completed on April 6, 2021. For further information on the I/C Loans, see "*Description of Certain Financing Arrangements—I/C Loans*". A portion of the net proceeds from the offering of the Notes, together with available cash on the Issuer's balance sheet, will be used by the Issuer to satisfy and discharge and ultimately redeem the Existing Floating Rate Notes. In particular, for purposes of the Refinancing: (i) €228.3 million of the Existing Floating Rate Notes, the proceeds of which were used by the Issuer to, among others, finance the acquisition by the Issuer of Flos, B&B and Danish HoldCo and to fund a portion of the Danish HoldCo I/C Loan to Danish HoldCo, will be redeemed with proceeds from Tranche A under the Notes; (ii) €52.9 million of the Existing Floating Rate Notes, the proceeds of which were used by the Issuer to fund a portion of the Flos I/C Loan to Flos, will be redeemed with proceeds from Tranche B under the Notes; and (iii) €38.8 million of the Existing Floating Rate Notes, the proceeds of which were used by the Issuer to fund a portion of the B&B I/C Loan to B&B, will be redeemed with the proceeds from Tranche C under the Notes. For further information on Tranche A, Tranche B and Tranche C, see "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*". For the avoidance of doubt, the "virtual tranching" of the Notes is aimed at identifying the separate portions of the proceeds of the Offering being used to consummate the Acquisition and the various elements of the Refinancing, respectively, and will not entail issuing separate identifiers (ISINs or common codes) for each such tranche.

(6) On or prior to the Completion Date, following the Escrow Release, we expect that the Issuer will use the net proceeds from the Notes available under Tranche A (as defined under "*Sources and Uses*") thereunder released from the Escrow Account and certain available cash on balance sheet, in each case converted into USD, to transfer approximately USD180.4 million to U.S. BidCo by way of (i) an equity contribution of approximately USD108.2 million and (ii) an intercompany loan for an aggregate principal amount of approximately USD72.2 million (the "**U.S. BidCo Proceeds Loan**"). For further information on the U.S. BidCo Proceeds Loan, see "*Description of Certain Financing Arrangements—U.S. BidCo Proceeds Loan*". See also "*Use of Proceeds*".

(7) On the Completion Date, we expect that U.S. BidCo will acquire YDesign through the merger of U.S. MergerCo with and into YDesign, with YDesign surviving the merger. As part of the Acquisition, we expect that, immediately prior to the Target Merger, certain members of the current management team of YDesign will reinvest a portion of their respective proceeds into U.S. BidCo (the "**Target Management Reinvestment**"), as a result of which, immediately following the consummation of the Target Merger, the Issuer is expected to hold approximately 98% of the issued and outstanding equity interests of U.S. BidCo and such of YDesign's management team are expected to collectively hold approximately 2% of the issued and outstanding equity interests of U.S. BidCo. As negotiations in respect of the Target Management Reinvestment are still ongoing as of the date of this Offering Memorandum, we cannot exclude the possibility that YDesign management will reinvest the relevant proceeds at the level of YDesign, as opposed to U.S. BidCo. In addition to the Target Management Reinvestment, we expect to put in place customary compensation schemes as of or immediately following the Completion Date, which in the future may result in the issuance of further equity interests of the relevant entity to YDesign management. For further information, see "*—The Transactions—The Acquisition*".

(8) On November 9, 2018, the Issuer, as borrower, entered into the Revolving Credit Facility Agreement, which provides for the €100.0 million Revolving Credit Facility. The Revolving Credit Facility is or will be, as applicable, guaranteed on a senior basis by the same entities that guarantee the Notes and is or will be, as applicable, secured on a first-priority basis over the same collateral securing the Notes and certain hedging obligations (if any), subject to the applicable contractual and legal limitations. The Notes Guarantees will be subject to certain material limitations under applicable law as described under "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*". See "*Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral—The Notes Guarantees and the 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*", "*Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Notes Guarantees and the Collateral may adversely affect the validity and enforceability of the Notes Guarantees and the Collateral*". "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*".

(9) On the Issue Date, the Notes will not be guaranteed. Within 20 Business Days from the Issue Date, subject to certain agreed security principles, the Notes will be guaranteed on a senior basis by each of B&B, Flos, Louis Poulsen A/S and Antares (collectively, the "**Initial Guarantors**"). Within 90 days following the Completion Date, subject to certain agreed security principles, the Notes will be guaranteed on a senior basis by U.S. BidCo and YDesign (collectively, the "**U.S. Guarantors**"). As of and for the year ended December 31, 2020, the Issuer and the Guarantors (excluding YDesign and U.S. BidCo) represented 65.6% of the consolidated revenue of the Issuer, 75.2% of the consolidated Adjusted EBITDA of the Issuer and 91.7% of the consolidated total assets of the Issuer (as to assets, including the value of goodwill and trademark allocated to B&B, Flos and Louis Poulsen in the Consolidated Financial Statements). As of December 31, 2020, the Guarantors (excluding YDesign and U.S. BidCo) had €18.5 million in aggregate principal amount of external third-party indebtedness, none of which was secured and €15.0 million of which was represented by lease obligations under IFRS 16, and all of which is expected to remain in place following the Transactions. The Notes Guarantees will be subject to certain material contractual and legal limitations. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*". 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 Notes Guarantees and the Collateral—The Notes Guarantees and the 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 *"Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Notes Guarantees and the Collateral may adversely affect the validity and enforceability of the Notes Guarantees and the Collateral"*. The Notes 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 Notes—The Notes Guarantees*".

(10) Certain subsidiaries of the Issuer will not guarantee the Notes. As of December 31, 2020, the subsidiaries of the Issuer that are not expected to guarantee the Notes had €32.9 million in aggregate principal amount of external third-party indebtedness, none of which was secured and €31.9 million of which was represented by lease obligations under IFRS 16, and all of which is expected to remain in place following the Transactions. As of and for the year ended December 31, 2020, the subsidiaries of the Issuer which are not expected to guarantee the Notes represented 34.4% of the consolidated revenue of the Issuer, 24.8% of the consolidated Adjusted EBITDA of the Issuer and 8.3% of the consolidated total assets of the Issuer.

(11) In order to simplify the corporate structure of the Group, Luminous Designs Investments ApS and Luminous Designs Denmark ApS have merged (the "**Danish Merger**"), with the former as the surviving company. The Danish Merger was completed on April 6, 2021 with retroactive effects as of January 1, 2020.

THE OFFERING

The following summary 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 Notes*".

Issuer	International Design Group S.p.A.
Notes Offered	€470,000,000 aggregate principal amount of Senior Secured Floating Rate Notes due 2026.
Issue Date	On or about May 19, 2021.
Issue Price	100.00%, plus accrued and unpaid interest from the Issue Date.
Maturity Date	May 15, 2026.
Interest Rate	Three-month EURIBOR (subject to a 0.0% floor) plus 4.25% per annum, reset quarterly. Interest on the Notes will accrue from the Issue Date.
Interest Payment Dates	Interest is payable on the Notes quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, beginning on August 15, 2021.
Form and Denomination	The Notes will be issued on the Issue Date in global registered 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; • 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, including indebtedness incurred under the Existing Notes, the Revolving Credit Facility Agreement and certain hedging obligations (if any); • rank senior in right of payment to any existing and future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes; • be effectively subordinated to any existing or future indebtedness or obligation of the Issuer and its subsidiaries that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such indebtedness; and • be structurally subordinated to any existing or future indebtedness of the Issuer's subsidiaries that do not guarantee the Notes, including obligations to trade creditors.

Notes Guarantees	On the Issue Date, the Notes will not be guaranteed. Within 20 Business Days following the Issue Date, subject to certain agreed security principles, the Notes will be guaranteed on a senior basis by Flos, B&B, Louis Poulsen A/S and Antares (collectively, the "**Initial Guarantors**"). Within 90 days following the Completion Date, subject to certain agreed security principles, the Notes will also be guaranteed on a senior basis by U.S. BidCo and YDesign (collectively, the "**U.S. Guarantors**" and, together with the Initial Guarantors and any subsidiary of the Issuer that may guarantee the Notes from time to time pursuant to the Indenture after the Issue Date, the "**Guarantors**", and the guarantees of the Notes provided by the Guarantors, the "**Notes Guarantees**"). Each Notes Guarantee will be subject to certain significant contractual and legal limitations. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*". 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 Notes Guarantees and the Collateral—The Notes Guarantees and the 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*". The Notes 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 Notes—The Notes Guarantees*". The Guarantors also guarantee or will guarantee, as applicable, on a senior basis the Existing Notes and the Revolving Credit Facility. As of and for the year ended December 31, 2020, the Issuer and the Guarantors (excluding YDesign and U.S. BidCo) represented 65.6% of the consolidated revenue of the Issuer, 75.2% of the consolidated Adjusted EBITDA of the Issuer and 91.7% of the consolidated total assets of the Issuer (as to assets, including the value of goodwill and trademark allocated to B&B, Flos and Louis Poulsen in the Consolidated Financial Statements). As of December 31, 2020, the Guarantors (excluding YDesign and U.S. BidCo) had €18.5 million in aggregate principal amount of external third-party indebtedness, none of which was secured and €15.0 million of which was represented by lease obligations under IFRS 16, and all of which is expected to remain in place following the Transactions.

Ranking of the Notes Guarantees . . .	The Notes Guarantee of each Guarantor will: • be a general senior obligation of that Guarantor; • rank senior in right of payment to any existing and future indebtedness of such Guarantor that is expressly subordinated in right of payment to the Notes; • rank *pari passu* in right of payment with any existing and future indebtedness of that Guarantor that is not expressly subordinated in right of payment to such Notes Guarantee, including that Guarantor's obligations under the Existing Notes, the Revolving Credit Facility Agreement and certain hedging obligations (if any); • be effectively subordinated to any existing or future indebtedness or obligation of such Guarantor and its subsidiaries that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such indebtedness; and • be structurally subordinated to any existing or future indebtedness of such Guarantor's subsidiaries that do not guarantee the Notes, including obligations to trade creditors. See also "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations—Italy—Limitation on validity and enforceability of the Notes Guarantees and the Collateral—Certain additional considerations in relation to Notes Guarantees and Collateral*".
Security, Enforcement of Security . . .	On the Issue Date, the Notes will be secured by a first-ranking security interest in the Escrow Account (the "**Escrow Charge**"). Within five Business Days following the Issue Date, the Notes will be secured by first-ranking security interests in: • 100% of the share capital of the Issuer; • certain material bank accounts of the Issuer; and • the Issuer's receivables in respect of the B&B I/C Loan, the Flos I/C Loan and the Danish Holdco I/C Loan (collectively, the "**Initial Collateral**"). Within 20 Business Days following the Issue Date, the Notes will be secured by first-ranking security interests in 100% of the share capital of each of Flos S.p.A., Antares Iluminación S.A.U., B&B Italia S.p.A., Danish HoldCo and Louis Poulsen A/S (collectively, the "**Post Issue Date Collateral**") Within 90 days following the Completion Date, the Notes will also be secured by first-ranking security interests in: • the equity interests of YDesign held by U.S. BidCo and the equity interests of U.S. BidCo held by the Issuer; and

- the Issuer’s receivables in respect of the U.S. BidCo Proceeds Loan (collectively, the “**Post Completion Date Collateral**” and, together with the Initial Collateral, the Post Issue Date Collateral and any other collateral securing the Notes from time to time pursuant to the Indenture, the “**Collateral**”).

The Collateral also secures or will secure, as applicable, on a first-ranking basis the Existing Notes and the Revolving Credit Facility and certain hedging obligations (if any) and may also secure certain future indebtedness. The Collateral will be granted subject to the terms of the Intercreditor Agreement, certain agreed security principles and the terms of the security documents.

Under the terms of the Intercreditor Agreement, the holders of Notes will receive proceeds from the enforcement of the Collateral only after the lenders under the Revolving Credit Facility and counterparties to certain super priority hedging obligations (if any) have been repaid in full. See “*Certain Financing Arrangements—Intercreditor Agreement*”.

The security interests in the Collateral may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability and may be released under certain circumstances. See “*Description of Notes—Security*” and “*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*” and “*Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral*”.

Escrow of Proceeds; Special Mandatory Redemption . . . . Pending consummation of the Acquisition, the Initial Purchasers will, concurrently with the issuance of the Notes on the Issue Date, deposit €150.0 million of gross proceeds from the offering of the Notes into the Escrow Account. The Escrow Account will be in the name of the Issuer, controlled by the Escrow Agent and pledged in favor of the Trustee on behalf of the holders of the Notes. The release of the escrowed proceeds from the Escrow Account (the “**Escrow Release**”) will be subject to the satisfaction of certain conditions, including the completion of the Acquisition pursuant to the terms of the Acquisition Agreement within two Business Days following the Escrow Release. If the conditions to the Escrow Release have not been satisfied on or prior to November 20, 2021 (the “**Escrow Longstop Date**”), the Issuer will be required to redeem Notes with an aggregate issue price equal to €150.0 million at a redemption price equal to the issue price of such Notes plus accrued and unpaid interest from the Issue Date to but excluding such special mandatory redemption date and additional amounts, if any. The redeemed Notes shall

	be selected pro rata for redemption from all of the Notes. See "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*" and "*Risk Factors—Risks Related to the Transactions—The Acquisition is subject to a number of conditions, which, if not fulfilled or if not fulfilled in a timely manner, may result in termination of the Acquisition Agreement*".
Use of Proceeds	The gross proceeds from the offering of the Notes, together with certain cash available on the Issuer's balance sheet, will be used to (i) satisfy and discharge and ultimately redeem the Existing Floating Rate Notes, (ii) within two Business Days following the Escrow Release, finance the Acquisition and (iii) pay fees and expenses in connection with the Transactions. See "*Summary—The Transactions*", "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*" and "*Use of Proceeds*".
Optional Redemption	The Issuer may redeem all or part of the Notes at any time on or after May 15, 2022 at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to (but excluding) the date of redemption, as further described under "*Description of Notes—Optional Redemption*". At any time prior to May 15, 2022, the Issuer may redeem all or part of the Notes at a redemption price equal to 100% of the principal amount thereof plus a "make-whole" premium, plus accrued and unpaid interest and additional amounts, if any, to (but excluding) the date of redemption, as further described under "*Description of Notes—Optional Redemption*".
Optional redemption for taxation reasons	If certain changes in the law (or in its interpretation) of any relevant taxing jurisdiction impose certain withholding taxes or other deductions on the payments on the Notes, the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to (but not including) the date of redemption. See "*Description of Notes—Redemption for Taxation Reasons*".
Additional amounts	Except as provided in "*Description of Notes*", all payments the Issuer makes with respect to the Notes, or each Guarantor makes with respect to its Notes Guarantee, will be made without withholding or deduction for, or on account of, any present or future taxes in any relevant taxing jurisdiction unless required by law. If withholding or deduction for such taxes is required to be made with respect to a payment on the Notes or any Notes Guarantee, subject to certain exceptions, the Issuer or Guarantor, as the case may be,

	will pay the additional amounts necessary so that the net amount received by the holders of the Notes after the withholding or deduction (including any withholding or deduction in respect of the additional amounts) is not less than the amount that they would have received in the absence of the withholding or deduction. See "*Description of Notes—Additional Amounts*". The Issuer is organized under the laws of the Republic of Italy 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. Subject to and as set forth in "*Description of Notes—Additional Amounts*", the Issuer will not be liable to pay any additional amounts to holders of the Notes if any withholding or deduction is required pursuant to Decree No. 239 or pursuant to Decree No. 461, except, in the case of Decree No. 239 or Decree No. 461, where the procedures required under Decree No. 239 or Decree No. 461 in order to benefit from an exemption have not been complied with due solely to the actions or omissions of the Issuer or its agents. See "*Description of Notes—Additional Amounts*". Although we believe that, under current law, Italian withholding tax will not be imposed under Decree No. 239 or Decree No. 461 where a holder of the Notes is resident for tax purposes in a country which allows for a satisfactory exchange of information with Italy (as identified currently in Ministerial Decree of September 4, 1996 as subsequently amended and supplemented and, in the future, in any decree to be issued under Article 11(4)(c) of Decree No. 239; any such decree, the "**White List**") and such holder of the Notes complies with certain certification requirements, there is no assurance that this will be the case. Moreover, holders of the Notes will bear the risk of any change in Decree No. 239 or in Decree No. 461 after the date hereof, including any change in the White List. See "*Taxation—Certain Italian Tax Considerations*".
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% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase. However, a change of control will not be deemed to have occurred if a specified net consolidated leverage ratio is not exceeded in connection with such event. See "*Description of Notes*".
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 created for the benefit of the holders of the Notes.

Certain of the covenants will be suspended if the 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 Notes—Certain Covenants*".

Transfer Restrictions	The Notes and the Notes Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transferability and resale. See "*Notice to Prospective U.S. Investors*" and "*Notice to Certain European Investors*". 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).
No Established 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 has been made to admit the Notes to listing on the Official List of the LuxSE and to trading on the Euro MTF Market, in accordance with the rules thereof.
Governing Law	The Indenture, the Notes and the Notes Guarantees will be governed by the laws of the State of New York. The Intercreditor Agreement and the Revolving Credit Facility Agreement are governed by English law. The security documents will be governed by the applicable law of the jurisdiction under which the security interests are granted.
Trustee	The Law Debenture Trust Corporation p.l.c.

Security Agent	UniCredit S.p.A.
Escrow Agent	JPMorgan Chase Bank, N.A.
Paying Agent and Calculation Agent	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent	The Bank of New York Mellon SA/NV, Dublin Branch.

Investing in the Notes involves substantial risks. You should consider carefully all the information in this Offering Memorandum and, in particular, you should evaluate the specific risk factors set forth in the "*Risk Factors*" section of this Offering Memorandum before making a decision whether to invest in the Notes.

SUMMARY HISTORICAL FINANCIAL INFORMATION AND OTHER DATA

The following tables present the summary historical consolidated financial information and operating data of International Design Group S.p.A., the reporting entity of the Group. The summary historical consolidated financial information in the tables below is derived from the relevant Consolidated Financial Statements presented in accordance with IFRS. The information presented below is not necessarily indicative of the results of future operations.

We have also presented certain summary unaudited as adjusted consolidated financial and other data prepared to give pro forma effect to the Transactions as if the Transactions had occurred on December 31, 2020 for the as adjusted statement of financial position information and on January 1, 2020 for the as adjusted statement of profit or loss information. Such summary unaudited as adjusted financial information is based on available information and certain assumptions and estimates that we believe are reasonable and may differ from actual amounts. It is for informational purposes only and does not purport to present what our results or other metric would actually have been had the Transactions occurred on the dates presented or to project our results of operations or financial position for any future period or our financial condition at any future date.

The summary consolidated financial information presented below includes certain non-IFRS financial and other measures that we use to evaluate our economic and financial performance. These measures are not identified as accounting measures under IFRS and therefore should not be considered a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS or those calculated using financial measures that are prepared in accordance with IFRS. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures".

The following tables should be read in conjunction with the Consolidated Financial Statements included elsewhere in this Offering Memorandum and with the information set forth under "Presentation of Financial and Other Information", "Use of Proceeds", "Capitalization", "Selected Historical Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Consolidated Profit and Loss Statement

(in € million)	Year ended December 31, 2018[1]	2019[2]	2020
Revenues from contracts with customers	48.2	555.9	520.6
Other revenues and income	1.4	8.3	5.3
Revenue related to Design Holding	—	0.9	0.2
Total revenues	**49.6**	**565.1**	**526.1**
Purchases of raw materials and variation in inventories	(22.2)	(218.7)	(154.2)
Personnel costs	(9.9)	(112.3)	(109.2)
Service costs	(11.5)	(125.4)	(116.5)
Service costs related to Design Holding	—	(10.0)	(5.1)
Provisions	(0.3)	(3.1)	(2.0)
Other costs and charges	(3.0)	(13.0)	(8.2)
Business combination costs	(15.5)	—	—
Total costs	**(62.4)**	**(482.5)**	**(395.2)**
Amortization, depreciation and impairment	(2.6)	(31.2)	(33.6)
Financial income	0.3	2.1	2.0
Financial charges	(6.2)	(57.6)	(57.9)
Result before tax from continuing operations	**(21.3)**	**(4.1)**	**41.4**
Income taxes	4.6	(4.9)	(18.3)
Net result from continuing operations	**(16.7)**	**(9.0)**	**23.1**
Net profit of discontinued operations	—	(0.6)	(0.5)
Profit/(loss) for the period	**(16.7)**	**(9.6)**	**22.6**
Profit/(loss) for the period, attributable to minority interest	0.4	0.9	1.4
Profit/(loss) for the period, attributable to the Group	**(17.1)**	**(10.5)**	**21.2**

(1) The consolidated profit and loss for the year ended December 31, 2018 has been derived from the corresponding comparative column in the 2019 Consolidated Financial Statements (and not from our consolidated financial statements for the year ended December 31, 2018, which are not included nor incorporated by reference in this Offering Memorandum). For additional information, see "*Presentation of Financial and Other Information*". The consolidated profit and loss data for the year ended December 31, 2018 reflects only the approximately one month of operations of the Issuer in 2018 after the closing of the initial acquisition by the Issuer of each of Flos, B&B and Danish Holdco. For information on our pro forma financial information for the year ended December 31, 2018, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

(2) The consolidated profit and loss data for the year ended December 31, 2019 have been derived from the corresponding comparative column in the 2020 Consolidated Financial Statements (and not from the 2019 Consolidated Financial Statements), which reclassified certain profit and loss line items in the 2019 financial statements for the purpose of presenting the transactions and financial position between the Issuer and its direct parent company, Design Holding, separately from the rest of the Issuer's financial information. For additional information, see "*Presentation of Financial and Other Information*".

Consolidated Statement of Financial Position

(in € million)	As of December 31, 2018[(1)]	2019[(2)]	2020
Non-current assets			
Intangible fixed assets:			
Goodwill	1,052.5	1,052.5	1,052.5
Other intangible assets	586.0	587.4	588.5
Right of use	—	44.5	43.0
Property, plant and equipment	113.2	111.7	109.3
Shareholding in parent company	—	18.0	23.4
Deferred tax assets	16.8	17.1	18.0
Non-current financial assets	2.8	3.5	3.3
Other non-current assets	0.3	2.0	1.9
Non-current assets related to Design Holding	—	1.1	1.1
Total non-current assets	**1,771.6**	**1,837.8**	**1,841.0**
Current assets			
Inventories	124.0	92.2	100.2
Trade receivables	67.6	68.3	57.1
Trade receivables related to Design Holding	—	0.2	—
Tax assets and other current assets:			
Tax receivables from tax authorities	9.6	6.3	4.9
Tax receivables related to Design Holding	—	2.3	2.3
Other assets	6.1	7.0	5.7
Cash and short-term deposits	73.1	63.6	92.7
Total current assets	**280.4**	**239.9**	**262.9**
Assets held for disposal	4.0	2.5	2.0
Total assets	**2,056.0**	**2,080.2**	**2,105.9**
Shareholders' equity			
Share capital	5.1	5.1	5.1
Other reserves	1,005.3	986.1	980.8
Result for the period	(17.1)	(10.5)	21.2
Total group shareholders' equity	**993.3**	**980.7**	**1,007.1**
Minority shareholders' equity	5.1	2.0	2.9
Result attributable to minority interests	0.4	0.9	1.4
Total shareholders' equity	**998.8**	**983.6**	**1,011.4**
Non-current liabilities			
Defined benefit plans	8.1	7.7	7.5
Provisions for risks and other charges	8.4	10.3	11.0
Non-current financial liabilities	697.4	701.9	704.7
Non-current lease liabilities	—	39.0	37.6
Deferred tax liabilities	171.1	159.0	158.8
Other non-current liabilities	1.2	0.8	0.1
Total non-current liabilities	**886.2**	**918.7**	**919.7**
Current liabilities			
Current financial liabilities	6.9	7.5	1.9
Current lease liabilities	—	8.3	9.3
Trade payables	103.5	85.7	77.9
Trade payables related to Design Holding	—	8.2	2.1
Contract liabilities vs. third parties	17.8	30.4	43.5
Tax payables and other current liabilities:			
Tax payables to tax authorities	14.3	8.5	8.8
Tax payables related to Design Holding	—	3.3	2.5
Due to social security institutions	5.6	4.6	4.9
Due to personnel and other payables	22.9	21.5	23.9
Total current liabilities	**171.0**	**177.9**	**174.8**
Total liabilities	**1,057.2**	**1,096.6**	**1,094.5**
Total shareholders' equity and liabilities	**2,056.0**	**2,080.2**	**2,105.9**

(1) The consolidated balance sheet data for the year ended December 31, 2018 has been derived from the corresponding comparative column in the 2019 Consolidated Financial Statements (and not from our consolidated financial statements for the year ended December 31, 2018, which are not included nor incorporated by reference in this Offering Memorandum). For additional information, see "*Presentation of Financial and Other Information*".

(2) The consolidated balance sheet data for the year ended December 31, 2019 have been derived from the corresponding comparative column in the 2020 Consolidated Financial Statements (and not from the 2019 Consolidated Financial Statements), which reclassified certain balance sheet line items in the 2019 financial statements for the purpose of presenting the transactions and financial position between the Issuer and its direct parent company, Design Holding, separately from the rest of the Issuer's financial information. For additional information, see "*Presentation of Financial and Other Information*".

Summary Consolidated Statement of Cash Flow

	Year ended December 31,	
in € million	**2019**	**2020**
Net cash and cash equivalents at beginning of the period	**73.1**	**63.6**
Net cash flows from operations	44.9	69.7
Net cash flows from / (used in) investing activities	(38.7)	(20.1)
Cash flows from / (used in) financing activities	(15.7)	(20.5)
Net cash and cash equivalents at end of the period	**63.6**	**92.7**

Other Financial and Pro Forma Data

	Year ended December 31,	
(in € million, except percentages and ratios)	**2019**	**2020**
Total revenue	565.1	526.1
Adjusted EBITDA(1)	127.2	128.7
Adjusted EBITDA margin(2)	22.5%	24.5%
Adjusted Net Financial Debt(3)	667.7	632.0
Synergized EBITDA(4)		134.7
Pro Forma Synergized EBITDA(4)		152.7
Pro Forma Cash and Short-term Deposits(5)		87.3
Pro Forma Adjusted Net Financial Debt(6)		787.4
Pro Forma Cash Interest Expense(7)		50.2
Ratio of Pro Forma Adjusted Net Financial Debt to Pro Forma Synergized EBITDA		5.2x
Ratio of Pro Forma Synergized EBITDA to Pro Forma Cash Interest Expense		3.0x

(1) "**Adjusted EBITDA**" is defined as net income (loss) for the period excluding the effect of income taxes, net financial expenses (income) and amortization and depreciation, on the basis of our consolidated profit and loss statement presented in accordance with IFRS, as derived from our Consolidated Financial Statements, as adjusted for certain non-core and non-recurring items occurred in the relevant period, further adjusted to remove the impact of IFRS 16 and the associated interest expense.

Adjusted EBITDA is a supplemental measure of the performance of the Issuer that is not required by, or presented in accordance with IFRS or any other generally accepted accounting principles. This measure is not a measurement of the financial performance of the Issuer under IFRS and should not be considered in isolation or as an alternative to net income, cash flows or any other measures of performance or liquidity prepared in accordance with IFRS or as an alternative to cash flow from operating, investing or financing activities as a measure of liquidity. We believe Adjusted EBITDA provides useful information with respect to the overall operating performance and debt service capacity of the Issuer by facilitating comparisons of operating performance on a consistent basis by removing the impact of items not directly resulting from the Group's core operations. We believe Adjusted EBITDA may be helpful to securities analysts, investors and other interested parties to assist in their assessment of the trading performance of the business of the Issuer. We note, however, that Adjusted EBITDA has limitations as an analytical tool, and should not be considered a substitute measure to net income, net income margin, as an indicator of operating performance, as an alternative to operating cash flows or as a measure of our liquidity. See "*Presentation of Financial and Other Information—Non-IFRS Financial Measures*".

The following table provides a reconciliation of our Net income (loss) to Adjusted EBITDA for the periods indicated:

	Year ended December 31,	
(in € million)	**2019**	**2020**
Net income (loss)	(9.6)	22.6
Taxes	4.9	18.3
Net financial expenses	55.5	55.9
Depreciation and Amortization	31.2	33.6
Transaction adjustments	(2.0)	—
Other provisions for risks and charges	2.4	1.1
Reversal of PPA's inventories	45.5	—
Non-recurring items[(a)]	13.1	11.1
Net profit of discontinued operations	0.6	0.5
IFRS 16 adjustments	(14.4)	(14.4)
Adjusted EBITDA	**127.2**	**128.7**

(a) Non-recurring items include:

(i) for the year ended December 31, 2019, €0.9 million of stock option costs, €4.3 million of non-recurring consultancy fees, €1.3 million of restructuring costs in respect of certain personnel dismissals, €0.7 million of advertising costs, €0.6 million of extraordinary costs paid to agents, €0.5 million of costs related to the closure of two Louis Poulsen's subsidiaries, €4.0 million of management fees paid to Design Holding and €0.8 million of other minor non-recurring costs; and

(ii) for the year ended December 31, 2020, €1.2 million of stock option costs, €0.6 million of non-recurring consultancy fees, €0.7 million of extraordinary costs paid to agents, €1.7 million of extraordinary costs we incurred in connection with the COVID-19 pandemic, including donations, prepaid non-reimbursable costs related to fairs and shows and purchases of individual and collective protection devices, €0.1 million of costs related to the closure of certain of our offices, €2.1 million of costs related to personnel dismissals, €4.0 million of management fees paid to Design Holding and €0.7 million of other minor non-recurring costs.

(2) "**Adjusted EBITDA margin**" is defined as Adjusted EBITDA for the relevant period divided by total revenue for the same period. The following table provides a reconciliation of our Adjusted EBITDA margin for the periods indicated:

	Year ended December 31,	
(in € million)	**2019**	**2020**
Total revenue (A)	565.1	526.1
Adjusted EBITDA (B)	127.2	128.7
Adjusted EBITDA margin (B/A)	**22.5%**	**24.5%**

(3) "**Adjusted Net Financial Debt**" is defined as net financial debt of the Issuer minus IFRS 16 lease liabilities. Set forth below is a calculation of our Adjusted Net Financial Debt as of the dates indicated:

	As of December 31	
(in € million)	**2019**	**2020**
Cash and short-term deposits	**63.6**	**92.7**
Existing Notes[(a)]	720.0	720.0
Payables to banks	4.5	1.2
Payables to other lenders	6.8	3.5
IFRS 16 lease liabilities	47.3	46.9
Financial Debt	**778.6**	**771.6**
Net Financial Debt	**715.0**	**678.9**
IFRS 16 lease liabilities	(47.3)	(46.9)
Adjusted Net Financial Debt	**667.7**	**632.0**

(a) Reflects the aggregate principal amount of the Existing Notes, before the deduction of unamortized debt issuance costs (€27.6 million as of December 31, 2019 and €23.7 million as of December 31, 2020) and excluding accrued but unpaid interest (€5.7 million as of December 31, 2019 and €5.6 million as of December 31, 2020).

(4) "**Synergized EBITDA**" is defined as Adjusted EBITDA, as further adjusted for certain cost and revenue synergies we expect to realize, as further described below.

"**Pro Forma Synergized EBITDA**" is defined as Synergized EBITDA, as further adjusted for (i) the Adjusted EBITDA of YDesign for the year ended December 31, 2020, (ii) certain synergies that we expect to realize from the combination of the Group and YDesign and (iii) adjustment for COVID-19 effects, as further described below.

The Adjusted EBITDA of YDesign is presented in this Offering Memorandum for illustrative purposes because, when added to our Synergized EBITDA to calculate our Pro Forma Synergized EBITDA, we believe it provides a useful measure of the combined results of operations of the Issuer and YDesign as if the Acquisition had occurred on January 1, 2020. However, the Adjusted EBITDA of YDesign is unaudited, has not been otherwise reviewed by outside auditors, consultants or experts, and has been derived from YDesign financial statements and management accounts, which are prepared on the basis of U.S. GAAP. The Adjusted EBITDA of YDesign is therefore not comparable with the Adjusted EBITDA of the Issuer presented herein, which is derived from underlying financial measures prepared in accordance with IFRS. See also "*Presentation of Financial and Other Information—Certain Consolidated Financial Information of YDesign*".

Moreover, the adjustments used to calculate Synergized EBITDA and Pro Forma Synergized EBITDA are based on a number of assumptions made in reliance on the information available to us, a third-party report commissioned by us, and management's judgments based on such information. The available information is preliminary and the assumptions used in estimating the components underlying Synergized EBITDA and Pro Forma Synergized EBITDA are inherently uncertain, forward looking in nature and subject to a wide variety of significant business, economic and competitive risks and uncertainties. We cannot assure you that the information on which we have based our assumptions will not change or that we will be able to realize any of the as-yet unrealized cost savings and revenue synergies we believe are possible based on these management estimates and assumptions. Furthermore, the costs we incur in trying to realize these cost savings and revenue synergies may be substantially higher than our current estimates and could outweigh any benefit. Accordingly, this information does not represent the results such cost saving initiatives or revenue synergies would have achieved had the initiatives been implemented or revenue streams been in place as of January 1, 2020.

Pro Forma Synergized EBITDA is included in this Offering Memorandum because we believe that it provides a useful measure of the combined results of operations the Group and YDesign. However, Pro Forma Synergized EBITDA does not purport to indicate our future consolidated results of operations following the Acquisition. Our actual results may differ significantly from those reflected in our Pro Forma Synergized EBITDA for a number of reasons, including, but not limited to, differences in the accounting standards applied for the calculation of the Adjusted EBITDA of the Group (IFRS) and the Adjusted EBITDA of YDesign (U.S. GAAP) and our ability to realize the expected synergies from the Acquisition and other synergies.

Neither our independent auditors, nor any other independent accountants, have audited, reviewed, verified, compiled, examined or performed any procedures with respect to our Synergized EBITDA or Pro Forma Synergized EBITDA, nor have they expressed any opinion or any other form of assurance on such information or its achievability. Synergized EBITDA and Pro Forma Synergized EBITDA do not constitute measures of financial performance under IFRS or any other auditing standard, and you should not consider Synergized EBITDA or Pro Forma Synergized EBITDA as an alternative to net income or any other performance measure derived in accordance with IFRS or any other auditing standard or as a measure of our results of operations or liquidity.

See "*Presentation of financial and other information—Non-IFRS Financial Measures*" and "*Risk Factors—Risks Related to Our Financial Information—Our Synergized EBITDA and Pro Forma Synergized EBITDA presented in this Offering Memorandum are based upon management estimates and assumptions in respect of certain cost savings and revenue synergies. Such estimates and assumptions might prove to be materially incorrect as a result of factors that are beyond our control and are subject to known and unknown risks, uncertainties and other factors*".

The following table provides a reconciliation of our Adjusted EBITDA to each of Synergized EBITDA and Pro Forma Synergized EBITDA for the period indicated:

(in € million)	**Year ended December 31, 2020**
Adjusted EBITDA	**128.7**
Expected synergies	6.0
New D-Studio stores openings[(a)]	*2.2*
Launch of direct e-commerce[(b)]	*2.5*
Cost synergies[(c)]	*1.3*
Synergized EBITDA	**134.7**
YDesign Adjusted EBITDA[(d)]	11.7
Synergies from the Acquisition[(e)]	3.2
Adjustment for COVID-19 effects[(f)]	3.1
Pro Forma Synergized EBITDA	**152.7**

(a) New D-Studio stores openings reflects the estimated incremental annual run-rate EBITDA we expect to generate in 2022 from two stores that we plan to open during 2021 in the format of "D-Studio". In particular, this adjustment includes: (i) €1.0 million of incremental annual EBITDA expected to be generated in 2022 by the "Milano Durini" store (which currently exists as a B&B-only store and will be remodeled and reopened in 2021) and (ii) €1.2 million of incremental EBITDA expected to be generated in 2022 by our Scandi store in Copenhagen (which we will open in 2021). We expect to incur capital expenditures of approximately €4.8 million and other one-off costs of approximately €1.3 million for the opening of such stores, which are not reflected in this adjustment and which we have included in our budget in 2021.

(b) Launch of direct e-commerce reflects the estimated incremental annual run-rate EBITDA we expect to generate in 2022 from sales of our products on the centralized e-commerce platform that we plan to launch in 2021 and that we expect will serve as a platform where products from all our brands (except for Arclinea) will be sold. We expect to incur capital expenditures of approximately €1.9 million for the launch of such common e-commerce platform, which are not reflected in this adjustment and which we have included in our budget in 2021.

(c) Cost synergies reflects the estimated annual run-rate cost synergies we expect to realize from initiatives that we have already started implementing as of the date of this Offering Memorandum. In particular, the adjustment includes: (i) €0.6 million of expected annual run-rate cost savings from the transfer of the architectural production from LP to Flos which we expect to fully complete in the second half of 2022. We expect to realize the full amount of these cost savings in 2023; (ii) €0.6 million of estimated cost savings we expect to realize in 2021 in relation to investments we made at the Arclinea plant which we expect to result in a more efficient production process with reduced labor, supply and energy costs and (iii) €0.2 million of expected administrative and other cost savings from the rationalization of Flos' corporate structure through the merger of three subsidiaries of Flos (Euroformat S.r.l., Flos Milano S.r.l. and Flos Roma S.r.l.) into Flos, which we completed during the course of 2020.

(d) YDesign Adjusted EBITDA for the year ended December 31, 2020 is derived from YDesign's financial statements, which are not presented herein, and has been converted from U.S. dollars into euro by applying an exchange rate equal to 0.88 $/€, corresponding to the average exchange rate for the period from January 1, 2020 through December 31, 2020.

YDesign's financial statements are prepared on the basis of U.S. GAAP. Therefore, YDesign Adjusted EBITDA presented herein is not comparable to our Adjusted EBITDA, which is calculated on the basis of our Consolidated Financial Statements, which are prepared in accordance with IFRS. See "*Presentation of Financial and Other Information—Non-IFRS Financial Measures*" and "*Risk Factors—Risks Related to Our Financial Information—The consolidated financial information of YDesign presented herein, including as part of our Pro Forma Synergized EBITDA, was prepared on the basis of U.S. GAAP and is therefore not comparable with the consolidated financial information of the Issuer, which was prepared on the basis of IFRS*".

(e) Synergies from the Acquisition includes estimated annual run-rate revenue synergies that we expect to achieve in full in 2022 from the integration of YDesign within the Group, mainly deriving from (i) sales on the YDesign platform of B&B products which are currently not sold by YDesign (approximately \$0.4 million) and (ii) the support of the Group in respect of sales of YDesign private label products which YDesign is currently in the process of setting up (approximately \$3.3 million). These U.S. dollar amounts were converted in euro by using an exchange rate equal to 0.85 \$/€, corresponding to the spot exchange rate as at March 25, 2021, resulting in approximately €3.2 million of total synergies. This adjustment already reflects minor costs we expect to incur in 2021 and 2022 to achieve such synergies, mainly related to targeted marketing initiatives and increased labor costs to develop YDesign private label products.

(f) Adjustment for COVID-19 effects includes costs we incurred during the lockdown periods in various locations where we operate in relation to corporate departments and services that were inactive or not effective due to the restrictions, such as warehouses and stores. In particular, the adjustment consists of: (i) €1.2 million of supply chain costs in Italy mainly related to storage costs, rent, payroll and other overhead expenses, (ii) €0.3 million of supply chain costs in the United States, (iii) €1.4 million of idle costs incurred by directly operated stores for rent, storage, payroll and fix utilities regardless of the store shutdowns imposed by the relevant governments, and (iv) €0.3 million of non-refundable costs related to cancellation fees paid for fairs that were cancelled as a consequence of the pandemic.

(5) "**Pro Forma Cash and Short-term Deposits**" represents our cash and short-term deposits as of December 31, 2020 as adjusted for the Transactions, as if the Transactions had occurred on December 31, 2020. It does not reflect €17.7 million of interest payments in respect of the Existing Notes which will fall due on May 15, 2021 or the amount of cash generated and not utilized by the Group between December 31, 2020 and the Completion Date, as further described in footnote (1) under "*Capitalization*". See also "*Use of Proceeds*".

(6) "**Pro Forma Adjusted Net Financial Debt**" is defined as Adjusted Net Financial Debt as adjusted to give pro forma effect to the Transactions as if they had occurred on December 31, 2020. For further information, see "*Capitalization*".

(7) "**Pro Forma Cash Interest Expense**" is defined as the cash interest expense of the Issuer for the year ended December 31, 2020, after giving pro forma effect to the Transactions as if they had occurred on January 1, 2020. This estimate reflects the issuance of €470.0 million Floating Rate Notes issued at 100.00% and carrying an interest rate of three-month EURIBOR plus 4.25% (assuming the three-month EURIBOR rate as of the date hereof was in effect for the entire period), the redemption of the Existing Floating Rate Notes and the cash interest payments made by the Issuer on its other financial indebtedness (including the Existing Fixed Rate Notes and the Revolving Credit Facility) during the course of 2020. Pro Forma Cash Interest Expense does not include interest accrued on the €46.9 million IFRS 16 lease liabilities outstanding on December 31, 2020 that we expect will remain in place after the Refinancing, as further described under "*Capitalization*"), and is calculated gross of any debt issuance costs in connection with the offering of the Notes and the Existing Fixed Rate Notes.

Other Financial Information

The tables below present our revenue breakdowns by brands, sales channel and geographical area for the years ended December 31, 2019 and 2020. The revenue breakdown by brands presented below reflect our accounting segments under IFRS 8, whereas the revenue breakdowns by sales channel and geographical area presented below are based on our management accounts, which marginally differ from our statutory accounts. Therefore, the total revenue figures shown in the tables below will differ depending on whether the relevant figures are derived from our statutory accounts or from our management accounts. For additional information, see "*Presentation of Financial and Other Information—Historical Financial Information—Revenue Breakdowns*". The revenue breakdowns are being presented for information purposes because we believe that they provide a useful measure of our results of operations. However, the revenue breakdowns by sales channel and geographical area have not been audited or reviewed in accordance with any generally accepted auditing standards. In addition, revenue breakdowns do not necessarily reflect the divisions or channels on which the Group will report going forward. Accordingly, any reliance you place on this information should take this into consideration.

Revenue Breakdown by Brand

(in € million)	Year ended December 31, 2019	Year ended December 31, 2020
Flos	231.3	203.7
B&B	213.4	195.8
LP	112.8	122.3
Eliminations	(0.7)	(1.0)
Revenue(1)	**556.8**	**520.8**

(1) Revenue breakdown by brand is presented as Revenue from contracts with customers and Revenue related to Design Holding that is generated by each brand.

Revenue Breakdown by Sales Channel

(in € million)	Year ended December 31, 2019	Year ended December 31, 2020
Wholesale	379.6	381.9
Contract	133.0	102.6
DOS	40.1	32.2
Online	3.2	3.9
Revenue(1)	**555.9**	**520.6**

(1) Revenue breakdown is presented as Revenue from contracts with customers generated by each sales channel.

Revenue Breakdown by Geographical Area

(in € million)	Year ended December 31, 2019	Year ended December 31, 2020
Europe	362.8	361.1
North America	99.8	74.9
APAC	81.9	76.3
MENA(1) and other	11.4	8.3
Revenue(2)	**555.9**	**520.6**

(1) Middle East and North Africa.
(2) Revenue breakdown by geographical area is presented as Revenue from contracts with customers generated in each geographical area.

Adjusted EBITDA Breakdown by Brand

(in € million)	Year ended December 31, 2019	Year ended December 31, 2020
Flos	61.3	54.9
B&B	41.7	43.6
LP	24.5	30.7
Eliminations and Unallocated	(0.3)	(0.5)
Total Adjusted EBITDA	**127.2**	**128.7**

RISK FACTORS

An investment in the Notes is subject to a number of risks. Prospective investors should consider carefully the risks described below and the other information contained in this Offering Memorandum prior to making any investment decision with respect to the Notes. Each of the risks discussed below could have a material adverse effect on our business, financial condition, results of operations or prospects which, in turn, could have a material adverse effect on the principal amount and interest which investors will receive in respect of the Notes. In addition, each of the risks discussed below could adversely affect the trading or the trading price of the Notes or the rights of investors under the Notes and, as a result, investors could lose some or all of their investment. 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.

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. See "Forward-looking statements".

Risks Related to Our Business

The COVID-19 pandemic has adversely affected and is expected to continue to pose risks to our business, financial condition, results of operations and cash flows, and other epidemics or outbreaks of infectious diseases may have a similar impact.

In late 2019, a new strain of coronavirus was detected in Wuhan, China. In March 2020, the World Health Organization declared COVID-19 a global pandemic and governmental authorities around the world implemented measures to reduce the spread of COVID-19. These measures, along with decreased consumer spending and widespread uncertainty following months of lockdowns and other restrictive orders, have led to an economic downturn in our markets and have had a direct impact on our business across all of the countries in which we operate. In particular, several of the governments of the countries in which we operate imposed significant lockdown measures in order to control the spread of COVID-19; on March 9, 2020, for example, the Italian government imposed a nationwide lockdown together with several other measures to contain the pandemic and in doing so, imposed the temporary closure of all of our manufacturing facilities and the stores in which our products are sold. Similar measures were adopted by the governments of several other countries in which we operate. Although the nationwide lockdowns were gradually lifted (*e.g.*, on May 4, 2020 in Italy), significant restrictions and social distancing measures were imposed. For the year ended December 31, 2020, we incurred €1.7 million of costs related to COVID-19, such as cost for enhanced safety measures in our plants, stores and offices, increased shipping costs, and non-reimbursable costs that we incurred for setting up fairs that were cancelled. During the lockdown periods, we also incurred additional €3.1 million of costs in various locations where we operate in relation to corporate departments and services that were inactive or not effective due to the restrictions, such as warehouses and stores. See "*Summary—Summary Historical Financial Information and Other Data—Other Financial and Pro Forma Data*". In addition, in the fall of 2020, Italy was affected by a resurgence of rising COVID-19 case levels, resulting in a regional lockdowns. Other international European markets in which we operate, as well as countries from which we source our products, have also been affected by lockdowns and similar measures.

As of the date of this Offering Memorandum several restrictive measures remain in place, which continue to adversely affect the overall global economy and, in turn, our operations and our customers and business partners' operations. For example, an evening curfew was set in Italy during the fall of 2020 and due to restrictions imposed on large gatherings, many of the stores where our products are sold have suffered either closures or restricted opening and closing times as well as restrictions on the amounts of customers allowed inside the respective venues. In addition, new strains of the virus have been discovered in late 2020 and 2021, which are characterized by higher transmission rates and, as of the date of this Offering Memorandum, a new wave of COVID-19 is still spreading across many countries in Europe, notwithstanding the progressive rollout of vaccination programs in many countries. There can be no assurance that measures currently in place and/or the existing vaccines will be successful in combatting any new strains of the virus. Moreover, as the vaccination programs are progressing slowly in certain areas, there can be no assurance as to if and when the population of the countries in which we operate will be fully immunized.

We cannot predict if, when or where further waves of COVID-19 will occur, how far into the future such waves will continue to occur nor can we predict with any level of certainty the impacts of any such subsequent waves, including the impacts of future national or local lockdowns or other measures implemented by the governments and/or local or regional authorities of the countries in which we operate. There may be a decrease in demand for our products in the event of further resurgences of COVID-19 or the occurrence of other pandemics, public health emergencies or threats, any of which may necessitate regulatory responses, resulting in temporary store closures, modified store operating hours, a decrease in customer traffic, work stoppages, slowdowns and delays, travel restrictions, cancellation of events or disruptions to our supply chain, among other effects, any of which may materially adversely affect our business, financial condition, results of operations and cash flows.

Moreover, even when the stores where our products are sold are allowed to remain open, social distancing and other policies implemented to slow the further spread of COVID-19 may impact the operation and appeal of our stores. Customers unaccustomed to wearing face coverings or observing social distancing guidance may choose to shop online or not shop at all. In addition, the COVID-19 pandemic may lead to loss of market share to our competitors who may have more developed online sales capabilities.

We have been, and may in the future be, required to temporarily close certain of our stores, offices or other facilities for cleaning or to take other responsive or precautionary measures. For example, we experienced temporary shutdown of our manufacturing facilities in Italy and in the United States; moreover we re-organized working hours in all of our plants in order to maintain social distancing and all our offices adopted massively home working as a precautionary measure. Similarly, our directly operated stores restricted access to customers and allowed access by appointment. Likewise, planned renovation and maintenance, as well as the opening of new stores, have been and may continue to be delayed, suspended or terminated in order to protect our liquidity and cash position and due to COVID-19-related restrictions, such as requiring that workers only leave their homes for essential purposes. Where appropriate and possible, we have transitioned our employees to a remote work environment, which may exacerbate our vulnerability to certain risks, including, for example, cybersecurity attacks and phishing emails, which we believe is an increased risk to our business in a remote work environment. We may be subject to potential litigation as a result of customers or employees who claim they have contracted COVID-19 at our stores or other facilities, which may cause us to incur significant costs and which may have a negative impact on our brand and reputation. We may also be subject to potential litigation initiated by employees alleging that we have facilitated an unsafe working environment or have increased their exposure to COVID-19. All of these risks may be further exacerbated by resurgences of the virus. Although the governments in Italy, Spain, Denmark and the U.S. have increasingly employed sophisticated strategies for combatting the virus in an effort to avoid costly and extensive lockdown measures, the magnitude of possible virus resurgences and the resulting impacts on the economy may materially negatively impact our business, financial condition, results of operations and cash flows.

Our business is sensitive to reductions in discretionary spending by customers and other factors as described elsewhere in this "*Risk Factors*" section. To date, the COVID-19 pandemic has caused, and is continuing to cause, significant disruption in economic activity globally, which has and is expected to continue to lead to a decline in discretionary spending. Our revenues have been and may in the future be negatively impacted by adverse changes in the perceived or actual economic climate, including higher unemployment rates, declines in income levels, increases in taxation and loss of personal wealth resulting from the impact of the COVID-19 pandemic and restrictive measures implemented to respond to it. Other factors that have negatively impacted and may continue to negatively impact our ability to successfully operate during the current COVID-19 pandemic include: our ability to react to changes in anticipated customer demand and manage inventories, which may result in either insufficient or excess inventories, our ability to rely on our distribution centers to manage the receipt, storage, sorting, packing and distribution of our products due to local and regional factors, scarcity of raw materials and scrutiny or embargoing of goods produced in infected areas and a retail environment that causes us to make a greater use of discounts.

The outlook for the world economy following the outbreak of COVID-19 remains subject to unprecedented uncertainty and such uncertainty may be prolonged in many of the markets in which we operate. Furthermore, while the potential impact and duration of the COVID-19 pandemic on the global economy and our business in particular may be difficult to predict, the pandemic has resulted in, and may continue to result in, significant disruption to the global financial markets, which may in turn reduce our ability to access to capital or our customers' ability to pay us for past or future services, which could negatively affect our liquidity. In addition, an economic recession or further financial market corrections resulting from the ongoing spread of the COVID-19 pandemic makes any prediction on the final effects of the pandemic highly uncertain and subject to change.

A renewed or future financial recession could lead to an adverse impact on demand for our products and on our results of operations. In addition, political repercussions of responses to the COVID-19 outbreak by European Union institutions as well as by other countries in the European Union and worldwide could have complex and hard-to-predict consequences for the future, including a destabilization of the European Union or its institutions or a slow-down or reversal of European integration, already impacted by the exit of the United Kingdom from the European Union effective January 1, 2021. It is unclear whether measures taken by European Union institutions, the Italian government and other governments of the countries in which we operate to contain the COVID-19 pandemic are adequate and effective to achieve containment. The extent to which the COVID 19 pandemic may impact our business will depend on future developments, including the availability, distribution and effectiveness of any COVID 19 vaccine and the progress in the rollout of vaccination programs in the countries where we operate, which are highly uncertain and cannot be predicted. We cannot guarantee that COVID-19 or any future outbreak of another virus or other contagious disease will not have a material adverse effect on our business and results of operations.

In addition to the factors listed above, COVID-19 and the measures taken globally to respond to it have created an environment of uncertainty and rapid, unpredictable changes that exacerbate and magnify certain of the other risks we face. The effect of the COVID-19 pandemic on our business and our industry will ultimately depend on a number of factors, including, but not limited to, the duration and severity of the outbreak, the length of time it takes for demand and pricing to return to pre-pandemic levels and for normal economic and operating conditions to resume, and the potential for virus resurgence across the markets and countries in which we operate. There are no comparable recent events that provide us with guidance, and so we cannot currently estimate this with any certainty nor can we provide any assurance that COVID-19 will not continue to have a material adverse effect on our business, financial condition, results of operations and cash flows. To the extent COVID-19 continues to adversely affect our business, financial condition, results of operations and cash flows, it may also have the effect of heightening any or all of the other risks described in this "*Risk Factors*" section, including those relating to our high level of indebtedness, our need to generate sufficient cash flows to service our indebtedness, and our ability to comply with the covenants contained in the agreements that govern our indebtedness. For more information on how COVID-19 has impacted, and may continue to impact, our business, see "*Management's Discussion and Analysis of Financial*

Condition and Results of Operations—Significant Factors Affecting the Results of Operations of the Group—COVID-19".

We are affected by general economic conditions worldwide, and unfavorable economic conditions could result in a decline in the demand for our products and a material adverse effect on our financial performance.

Our revenue, profitability, cash flow and future growth are affected by general economic conditions, consumer confidence and spending patterns. The foregoing may also be adversely affected by negative local, regional, national or international political or economic trends, whether actual or perceived, or developments such as the COVID-19 pandemic that reduce consumers' ability or willingness to spend. In particular, our business is heavily dependent on the demand for high-end furniture and lighting products, especially in Europe, North America and the Asia-Pacific (APAC) region, which make up a significant portion of the Group's revenue. Declining economic conditions in any of the locations in which we operate, economic stagnation as a result of the COVID-19 pandemic or negative perceptions about economic conditions, could lead to a decrease in consumer spending and ultimately a decline in the demand for our products, which in turn would adversely affect our business. In particular, our products are discretionary items and sales of such items normally depend on positive consumer sentiment and the availability of discretionary income. For example, according to the Industry Report, the immediate effects of the COVID-19 pandemic resulted in the high-end furniture and lighting design market decreasing in size from approximately €38 billion in 2019 to approximately €35 to 36 billion in 2020.

From 2013 until the COVID-19 pandemic started, the global economy was growing at a modest pace, curbed by the stagnation of economic activity in parts of Europe, as well as the slow-down of several emerging economies. Since early 2020, the COVID-19 pandemic has been the primary factor in increased global uncertainty from an economic and social perspective, which has resulted, and may continue to result, in materially increased volatility and declines in financial markets and weaker demand in the global economy. Measures that governments have already adopted, or plan to adopt in response to the COVID-19 pandemic have had, and could continue to have, an adverse effect on supply chain resulting, for instance, in plant closures or increases in the cost of raw materials, and generally impact business operations across the economy both as a result of weakened economic activity and the employees being affected. See "*—The COVID-19 pandemic has adversely affected and is expected to continue to pose risks to our business, financial condition, results of operations and cash flows, and other epidemics or outbreaks of infectious diseases may have a similar impact*". Furthermore, global economic conditions have been, and are likely to continue to be, affected by concerns over increased geopolitical tensions as well as political developments affecting several countries, including the continued political uncertainty in Italy, the exit of the United Kingdom from the European Union effective January 1, 2021, the possible exit from the European Union of more Member States and/or the replacement of the euro by one or more successor currencies to which the foregoing could lead. See "*—Market perceptions concerning the instability of the euro, the potential reintroduction of individual currencies within the Eurozone or the potential dissolution of the euro entirely, could negatively impact our business or our ability to refinance our liabilities. In addition, the current political uncertainty in Italy could affect our business*"). These events could have a detrimental impact on the global economic recovery and the repayment of sovereign and non-sovereign debt in certain countries, as well as on the financial condition of European institutions, further increasing the volatility in the European financial markets, which may affect demand for the Group's products.

Although the U.S. and Canadian economies appear to be slowly recovering from the negative effects of the COVID-19 pandemic, supported by the emergency economic stimulus passed under the respective administrations of such countries (including the package passed under the Biden administration in March 2021) and by the continued rollout of COVID-19 vaccines, there can be no assurance that such recovery will continue, or that the U.S. and Canadian economies will not, in the near future, experience economic challenges including due to a recrudescence of the ongoing pandemic or, in particular, that the U.S. will not engage in protectionism or trade wars with other countries that could adversely impact global economic conditions. Furthermore, the weakening of currencies in some emerging countries from time to time increases the risk of financial contagion in emerging markets globally. Any extended recession or other periods of declining economic conditions, either globally or in any of the locations in which we operate, could substantially decrease the demand for our products and adversely affect our business, financial condition and results of operations.

It is difficult to predict how economic conditions will develop, as they are affected by macro movements of the financial markets and other factors, including the measures taken by governmental and regulatory authorities and central banks. Uncertainty remains in the global markets and the global economy could experience another recession, or a depression, which could be more prolonged or have greater financial impact than past global recessions. Continued weakness in the global economy for a significant period of time, or a further deterioration of global economic conditions, could adversely affect consumer-spending behavior, which is driven by levels of unemployment, inflation or deflation, disposable income, interest rates, the availability of consumer credit and consumer perception of their own economic prospects and overall economic conditions. Although to different degrees, these factors affect all markets in which we operate. Our revenue and profitability could therefore be adversely affected by unfavorable economic conditions, economic downturns or an otherwise uncertain economic outlook, globally or in one or more of the principal markets in which we operate or will operate in the future. Deteriorating economic conditions by limiting demand for our products, may also increase pricing pressure on the products that we sell and result in a corresponding decline in our margins.

Moreover, adverse conditions in the credit and financial markets could prevent us from obtaining financing or credit on favorable terms in order to fulfill our financing needs (including the need to refinance or repay our debt obligations, including the Notes). If we are unable to repay our debt obligations or access the credit and capital markets, we may not be able to pursue certain of our business plans, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. Global economic conditions and uncertainties may also affect our suppliers, resulting in, for example, supplier plant closures or increases in the cost of merchandise and/or raw materials. As a result, an economic downturn or persistent unfavorable economic conditions in the markets in which we operate, particularly conditions that negatively affect consumer spending, could have a material adverse effect on our business, financial condition, results of operations and cash flows. See "*—The COVID-19 pandemic has adversely affected and is expected to continue to pose risks to our business, financial condition, results of operations and cash flows, and other epidemics or outbreaks of infectious diseases may have a similar impact*".

If we are unable to successfully introduce new products, develop our brands and adapt to changing customer preferences, our business may suffer.

The high-end furniture and lighting industries are subject to rapidly changing consumer preferences and trends. The purchasing decisions of consumers are highly subjective and can be influenced by many factors, such as marketing programs, product design and brand image. Consumers of our products tend to be design conscious, have rigorous standards and sophisticated tastes, which can be difficult to satisfy or anticipate. The historical success of our brands is attributable, in part, to our ability to introduce products which are perceived to anticipate, shape and reflect interior design trends. For the year ended December 31, 2020, we incurred €10.0 of capital expenditures on research and product development to support our ability to continue to produce innovative and beautifully designed products that meet our customers' needs and expectations, which we believe is critical to our future success. We estimate that we generated 36.1% of our revenue for the year ended December 31, 2020 from the sale of products which each of Flos, B&B and Louis Poulsen introduced during the last five years. Our success also depends on our ability to react to changing customer and consumer demands, preferences and habits in a timely manner. We cannot predict whether the new products we launch will be well received by consumers in our target markets and/or demographics, or even whether such new products will be introduced in a timely or cost-effective manner. Decisions regarding product design must be made months in advance of the time when consumer acceptance can be measured and, therefore, such decisions are inherently uncertain. An inability to keep pace with product development, anticipate consumer preferences, meet consumer demands or understand consumer habits could have a negative impact on our inventory and result in material adverse effect on our business, financial condition, results of operations and cash flows.

Our business is also subject to frequent and sometimes significant changes in technology, and if we fail to anticipate or adequately respond to such changes, or do not have sufficient capital to invest or respond to these developments, our profits may decline. Our future financial performance will depend in part upon our ability to adapt our products to evolving technology successfully, both to keep up with customer expectations and preferences and to improve our business operations. We cannot predict all the effects of future technological changes. The cost of adapting our products to new technologies could be significant, and our ability to finance these costs may be adversely affected by poor market conditions resulting in lower revenues and cash generation, our debt servicing requirements or our inability to obtain the financing we require. There can be no assurance that the investments we have made in product development and technology will generate expected returns by enabling us to increase or maintain market share. In addition, there can be no assurance that we will be able to comply with our investment and business plans. Any inability to successfully adapt to changing customer preferences and technologies, make sufficient investments in research, technology renovation and product development or generate expected returns on those investments could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We face significant competition in the development, production and sale of our products.

The market for high-end designer furniture and lighting is highly competitive. The key factors that affect competition in this market include the profiles of designers and the designs themselves, the technical know-how of internal research and product development teams, the breadth of distribution networks and the ability to interact with existing and new customers. Also important is a strong design heritage and the quality of relationships with designers and specifiers. Our competitors may focus more of their resources than we do on competitive activities, such as sales and marketing, research and product development and strategic acquisitions, or may have greater purchasing economies of scale and lower cost bases including as a result of business combinations (such as the acquisition of Knoll by Herman Miller, which is expected to close this year).

Over the past several years, certain large international retailers such as IKEA and Maisons du Monde, historically focused on lower range furnishing and lighting solutions characterized by a low or absent design component, have expanded their product offerings to enter the "affordable inspirational" segment of the furniture and lighting market. This is an attempt to enlarge their customer base through the offering of quality products with appealing design and at lower price points compared to the high-end furnishing and lighting segment in which we operate. Should these retailers continue to improve the design and quality of their products and maintain accessible price points, we may lose existing customers or fail to attract new customers if we are not able to continue to materially differentiate our products and brands in terms of quality and design. Such an outcome could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, although our custom and contract operations are currently less impacted by this competition, these retailers could expand their operations to such segments in the future. In particular, there are companies (such as Bemz, Semihandmade, Pretty Pegs) dedicated solely to taking minimal IKEA furniture and turning it into unique pieces that suits one's style and aesthetic.

Moreover, our license agreements with designers typically do not grant us the rights to future designs of the licensors. When bidding for these licenses, or for licenses with new designers, our competitors may be able to offer more favorable payment terms or new license arrangements that strengthen their competitive position or prevent us from taking advantage of opportunities to work with certain designers, or we may be required as a result of competitive pressure to agree to less favorable terms than we have achieved historically in order to maintain our relationships or build new relationships with designers.

Competitors may also be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or consumer preferences. Competitors may also possess broader distribution networks, have more extensive e-commerce operations, more actively sell through social media or have larger networks of directly-operated stores, which could allow them to exercise more control over their brand than we can. In particular, barriers to entry for e-commerce or social networks are low, and current and new competitors can launch new e-commerce platforms or sell their products through social media at a relatively low cost while also reaching large numbers of potential customers by using the internet for marketing. As a result of competition through e-commerce channels, we may experience pricing pressure and loss of market share, which could have a material adverse effect on our business. Increased competition could limit our ability to increase our prices or require us to reduce prices or increase our spending on marketing, sales and research and product development, any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our failure to effectively control our distribution network and their commercial practices could adversely affect our brand reputation. In addition, any disruption in the operations of our distributors or in our relationships with them could adversely affect our business.

We generate a large portion of our revenue through wholesale retailers that we do not own and that we may approach either directly (including through our subsidiaries, where possible) or through third-party agents and distributors, depending on the features and practices of each relevant market. We normally have little control over the commercial practices of wholesale retailers, some of whom operate partially or exclusively as online retailers, or over third-party agents and distributors. In particular, it is difficult for us to monitor the price levels and commercial practices applied by wholesale retailers, third-party agents and distributors, especially through the internet, where our products could be subject to multiple interim sales before reaching the end customers. In most cases, wholesale retailers are not contractually bound to apply minimum price levels and could therefore apply discounts inconsistently in the same market or in different markets, which could be perceived negatively by our customers. In addition, if our wholesale retailers were to apply unfair commercial practices to the detriment of the end customers or offer material discounts on our products, our brand reputation could be harmed and sales in our retail channel could also suffer.

Each of our brands relies to a certain extent on third-party distributors and agents for the sale of their products, and our success depends in part on the quality of services provided by, and our relationships with, these third-party distributors and agents. We normally employ distributors and agents in countries or areas where we do not have a subsidiary or that we cannot otherwise reach directly with our sales team. Our relationships with these distributors and agents are a significant factor in our success and growth strategy. Even though we strive to monitor the operations and performance of our third-party distributors and agents and their compliance with applicable laws and with the contractual arrangements that govern our relationships with them, we do not own or control our third-party distributors and agents, and they own, operate and oversee their daily operations. Our third-party distributors and agents may not commit the necessary resources to market and sell our products to the level of our expectations, and may not operate their businesses in a manner consistent with required laws, best practices, standards or regulations. In addition, our distributors may face operational disruptions or financial distress, which could cause them to suspend or shut down their operations or terminate their relationships with us. For example, a distributor that operated three of B&B's points of sale in Texas shut down its operations in 2018 due to a business decision of its shareholders unrelated to B&B, which resulted in B&B having to replace the distributor in connection with two of the affected points of sale and to assume the direct management of the other affected point of sale.

In addition, as a result of the measures adopted by the various governments to stop the spread of the COVID-19 pandemic, many of our third-party distributors had to temporarily suspend their business and some of them have not yet reopened. See "*—The COVID-19 pandemic has adversely affected and is expected to continue to pose risks to our business, financial condition, results of operations and cash flows, and other epidemics or outbreaks of infectious diseases may have a similar impact*". The inability of our third-party distributors or agents to maintain the perception of prestige and high quality associated with our products could have an adverse impact on our brands, adversely affect our ability to compete or expose us to legal claims from designers if we fail to market or sell products in accordance with the terms of our license agreements. Any disruptions in our third-party distributors' or agents' financial or operational conditions and any adverse changes in the relationships with our third-party distributors and agents could have a material adverse effect on our business, financial condition, results of operations and cash flow.

Our business is in part dependent on our ability to negotiate, maintain and renew license agreements with leading designers on satisfactory terms.

The success of Flos, Louis Poulsen and B&B is based on a unique combination of creativity, innovation and industrial capabilities. We believe that the close cooperation between our in-house research and product development and design teams and our long standing relationships with internationally renowned designers have significantly contributed to the success of each of our brands in the global design industry. Our business depends in part on our ability to maintain good relationships on satisfactory terms with leading designers. We have entered into numerous intellectual property right assignment agreements as well as exclusive or non-exclusive license agreements with our designers that enable us, pursuant to each agreement's contractual framework, to commercially exploit (and, in certain cases, to register in our own name) the intellectual property created by these designers that makes up part of our furniture and lighting collections. However, certain of our assignment agreements do not explicitly transfer the underlying intellectual property rights to us or expressly grant us the right to file or register patents, designs and other intellectual property rights with respect to the assigned product shapes. Therefore, under these agreements the designer could be entitled to challenge the validity of any registration of intellectual property rights by us as well as claiming a violation of his or her rights. Moreover, under many of the assignment agreements the product shapes are assigned to us against the payment of royalties to the designer for the entire duration of the open-ended agreement, which could result in the early termination of the agreement by the designer should we not pay royalties in a timely manner. In such case, the assigned intellectual property rights could revert back to the designer. In addition, some of our employee inventors, employees and/or consultants who are or were involved in product development activities not governed by their employment contracts or other agreements have not received specific consideration for the inventive activity carried out in relation to certain patents that have been filed and granted on our behalf, which could result in claims by the employee inventors, employees and/or consultants to receive such specific consideration or to claim the moral rights on the inventions.

With respect to our license agreements, we believe that our ability to negotiate, maintain and renew such agreements on satisfactory terms, particularly those that contribute to the ethos that is central to our brands, is essential to maintaining a successful product portfolio. Certain of the license agreements for Flos and, except for a small number of license agreements with key designers, most of the license agreements for B&B are for open-ended terms with provisions allowing the relevant designer to terminate the agreement at any time with prior written notice. Louis Poulsen primarily benefits from license agreements with its core five designer designers– Poul Henningsen, Arne Jacobsen, Verner Panton, Vilhelm Lauritzen and Christian Flindt, which generated 65.2% of Louis Poulsen's revenue for the year ended December 31, 2020. Pursuant to these agreements, Louis Poulsen has been granted the exclusive right to commercially exploit the intellectual property associated with a portfolio of each designer's lighting designs, with the rights generally granted for the duration of the validity of the copyright of the design, which extends for 70 years after the death of the designer. The first of such licenses to expire will do so in December 2037. After the relevant expiry date, Louis Poulsen will still be able to produce and sell the designs of such designers, but without exclusivity. To complement its heritage collection, Louis Poulsen relies to a lesser extent on license agreements with other designers that feature different terms. In particular, although these license agreements do not have set termination dates, certain of these agreements grant the designers the right to terminate the agreement should certain minimum sales rates fail to be met over a specified period, or should Louis Poulsen significantly reduce or cease production of certain products. For more information, see "*—The loss of certain key license agreements could result in the loss of revenue and materially and adversely affect our business. In addition, certain of our designers are not subject to non-compete obligations during the term of their license agreements with us and/or following the termination thereof, and our business could be adversely affected if they were to successfully cooperate with our competitors*".

Failure to maintain or renew license agreements on the same or better terms, or failure to secure comparable replacements or negotiate new license agreements or assignment agreements with other leading designers, could have a material adverse effect on our business, financial condition, results of operations and cash flow.

The loss of certain key license agreements could result in the loss of revenue and materially and adversely affect our business. In addition, certain of our designers are not subject to non-compete obligations during the term of their license agreements with us and/or following the termination thereof, and our business could be adversely affected if they were to successfully cooperate with our competitors.

Our business depends in part on maintaining license agreements with key designers and cultivating the continued appeal of our licensed designs through consistent innovation. For the year ended December 31, 2020, the top five designers in terms of revenue for each brand who have license agreements with us generated 32.2% of Flos' total revenue, 65.2% of Louis Poulsen's revenue and 72.8% of B&B's total revenue, respectively. Although we have historically maintained positive relationships with our designers and have been able to maintain and renew key licenses, there is no guarantee that we will continue to be able to do so. See "*Business—Flos—Agreements with Designers*", "*Business—Louis Poulsen—Agreements with Designers*" and "*Business—B&B Italia—Agreements with Designers*". The term of our licenses typically varies in length, with B&B licenses having either open-ended terms or, for certain key licenses, specified terms of 20 years. Flos licenses generally have open-ended terms that can be terminated by the designer at any time with notice and Louis Poulsen licenses typically feature open-ended terms that extend for the life of the copyright and contain different renewal conditions, termination clauses, license fees and royalty obligations.

Certain of our license agreements cannot be terminated by the licensor based on performance related criteria, although the licensor may elect not to renew the license at expiry if we do not meet their performance expectations. Some of our other license agreements contain broad termination provisions in favor of the designers, allowing the designers to terminate the license in certain circumstances, including the failure to start production, breach of obligation to obtain approval from the designer in connection with, for example, certain changes to their designs or default on royalty and other payments, among other provisions. Moreover, certain of our license agreements do not have an expiry date, which means that the relevant designer may decide to terminate their agreement at any time, with prior written notice.

In addition, some of our license agreements lack non-compete clauses, meaning that, following termination, a designer would be permitted to license to third parties the intellectual property rights previously covered by the license agreement. Moreover, designers are normally free to cooperate with other companies operating in our industry on the design of products that are not covered by the license agreement which could be in competition with ours. See also "*—We face significant competition in the development, production and sale of our products*". If a key designer decides to terminate a material license or otherwise requires us to cease production of a key design, or if he or she were to cooperate with our competitors in the creation of successful designs in competition with our products, the impact on our market position, our brands and our revenue may be significant, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Consumer spending on high-end design products could be displaced by spending on other activities as driven by a number of factors.

Consumer spending on high-end design products could decrease or be displaced by spending on other activities as driven by a number of factors including:

- general economic conditions and other factors that affect consumer discretionary spending;
- reduced purchasing power as a result of the economic effects caused by the COVID-19 pandemic;
- housing market conditions, as consumers are generally more likely to purchase new lighting and furniture when they purchase a home;
- shifts in behavior away from home decorating in favor of other products or activities, such as travel, entertainment or electronics;
- natural and other disasters, including pandemics, hurricanes, tornadoes, floods, droughts, heavy snow, ice or rain storms, which disrupt the ability of consumers to continue spending on high-end design products;
- man-made disasters, such as terrorism or war, as well as other national and international security concerns; and
- other matters that influence consumer confidence and spending.

Total consumer spending may not rebound from the slowdown caused by the COVID-19 pandemic. Even if it rebounds, it may not regain its historical rates in the short to medium term due to slowed population growth and shifts in population demographics, and it may not increase in certain product markets given changes in consumer interests. Moreover, as we expand into new geographic markets and product categories, we may not accurately predict consumer preferences in that market or product category, which could result in lower than expected sales. A decline in consumer spending on high-end design products could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may not be able to fully realize the Group's commercial and strategic vision.

We may experience difficulties in maximizing collaboration across the Group portfolio and achieving our strategic vision, including taking advantage of cross-selling opportunities. We may incur higher than expected costs or fail to realize any or all of the anticipated benefits and synergies, including those of the acquisition of YDesign as described elsewhere in this Offering Memorandum. We believe that the combined Group portfolio can continue to generate synergies from, *inter alia*, cross-selling our brands in the same point of sale, the opening of new multi-brand stores directly operated by us, sharing information on contracts and pipelines of new offers among all of our businesses through a centralized Customer Relationship Management (CRM) infrastructure, the centralization of certain administrative functions, the creation of a central marketing team, launching a new joint direct e-commerce platform with distribution in Europe and the U.S., optimizing warehousing and logistics functions in certain countries where we operate and renegotiating contracts with logistics service providers, outsourcing the production of architectural Louis Poulsen products and integrating and consolidating operations and management across the geographies in which we operate. In addition, we believe the acquisition of YDesign can generate additional synergies, as we expect to benefit from increased sales of our products through YDesign Group's e-commerce platform. The Acquisition of YDesign will enable us to expand our international reach, given the YDesign Group's solid positioning within the market for online sales of lighting and furniture brands in the Unites States. Although we expect the Group will benefit from such initiatives, there is no guarantee that the expected synergies, including following the acquisition of YDesign, will be achieved in the expected timeframe or at all, or that the costs, both one-off and recurring, incurred to achieve such synergies will not be greater than the synergies themselves. In particular, we may be unable to successfully combine our operating structure and extensive distribution network with the online sale platform operated by the YDesign Group efficiently or effectively and in that case we may not be able to recover the cost incurred to obtain the envisaged synergies, including the costs related to the improvement of the on-line sales platform of the YDesign Group and any potential loss of revenues from existing customers of the YDesign Group who might prefer to sell their products through our competitors maintaining that the YDesign Group focuses more on promoting the Group's products than theirs. See *"—We may be unable to integrate YDesign effectively and realize the expected synergies from the Acquisition*", "*—Risks Related to Our Financial Information—The consolidated financial information of YDesign presented herein, including as part of our Pro Forma Synergized EBITDA, was prepared on the basis of U.S. GAAP and is therefore not comparable with the consolidated financial information of the Issuer, which was prepared on the basis of IFRS"* and *"—Our Synergized EBITDA and Pro Forma Synergized EBITDA presented in this Offering Memorandum are based upon management estimates and assumptions in respect of certain cost savings and revenue synergies. Such estimates and assumptions might prove to be materially incorrect as a result of factors that are beyond our control and are subject to known and unknown risks, uncertainties and other factors*".

We may also face integration risks in connection with any acquisition we make. In respect of our European operations, creating a joint e-commerce platform might entail difficulties due to the high fragmentation and extensive regulatory framework in Europe, or might not be successful for certain of our products (such as furnishing products, for which customer on-site visits and customization services play an important role), and may also adversely affect our relationships with existing online retailers. See also "*—We may not be able to successfully expand into new markets or grow our online presence on a timely basis, or at all, which could harm our growth and results of operations*". The Group was formed as a result of the combination of three large and complex businesses that had historically been operated separately. Although we have been successful to date, we cannot assure you that the management team will continue to effectively direct the combined businesses or fully achieve the synergies from both the full integration of Flos, B&B and Louis Poulsen, including through the coordination of certain activities by the centralized management team of the Group and the opening of multi-brand and multifunctional flagships ("**D-Studio**") and those synergies that we anticipate from the Acquisition of YDesign, as presented in this Offering Memorandum. To the extent that we pursue further acquisitions in line with our acquisition strategy, any of these risks may be further exacerbated. See "*—We intend to carry out acquisitions as part of our growth strategy, which may not deliver anticipated benefits*". The failure to achieve any part of the Group vision in terms of collaboration across the businesses could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may be unable to integrate YDesign effectively and realize the expected synergies from the Acquisition.

In connection with the Acquisition and the integration of the YDesign Group into our existing operating structure, we will seek to achieve annual synergies mainly deriving from (i) sales on the YDesign platform of our products, including B&B products which are currently not sold by YDesign and (ii) the support of the Group in respect of sales of YDesign private label products which YDesign is currently in the process of setting up. We cannot be assured that we will be able to realize any of these synergies, and the costs we incur in trying to realize these synergies may be substantially higher than our current estimates and may outweigh the benefits. Our anticipated synergies are based on assumptions about our ability to implement these measures in a timely fashion and within certain cost parameters. If one or more of our underlying assumptions regarding these initiatives proves to have been incorrect, these efforts could lead to substantially higher costs than planned and we may not be able to realize fully, or realize in the anticipated timeframe, the expected benefits. Moreover, there might be liabilities of the Target Group that are unknown to us or cannot be estimated at this time.

Furthermore, pricing pressure from our customers or competitors or other variables may deprive us of some of the benefits from the cost measures that, in the calculation of the Pro Forma Synergized EBITDA included elsewhere in this Offering Memorandum, we have assumed that we will be able to retain. See ''*Summary Historical Financial Information and Other Data—Other Financial and Pro Forma Data*'' and ''*Forward-Looking Statements*'. Also, cost efficiencies from operational efficiencies may not be able to be sustained due to our inability to integrate the acquired business, unforeseen legal, regulatory, contractual, labor or other issues or other cost variables. Our inability to realize the anticipated synergies, cost savings and revenue enhancements from the acquisition could have a material adverse effect on our business, results of operations and financial condition.

Any negative impact on the reputation of our brand names and designs may adversely affect our competitive and financial position.

Flos', Louis Poulsen's and B&B's success is dependent, to a large extent, on the strength and reputation of each of their brands and designs. In our view, safeguarding each of our brand images is the basis for customer loyalty and essential to differentiate Flos, Louis Poulsen and B&B from their competitors. As such, we believe we must preserve, grow and leverage the value of the brands and designs across each of our business divisions and sales channels and continue to identify products and trends that meet the expectations of our target customers. Isolated or recurring incidents that erode customer trust, such as faulty or low quality designs, delays in delivery or suboptimal customer service, particularly if widely publicized online or litigated, and not responded to effectively, could significantly impact our brands and have a negative impact on our business, results of operations and financial condition. In addition, if our customers view a brand and its design trend negatively during the launch of a product, it can be difficult to change those perceptions in the future.

Moreover, some of our key designers have worked with us for several years and have significantly contributed to shape our brands throughout our history. The loss of any of our key designers, or any illegal, immoral or improper behavior of any of our key designers which is perceived negatively by the public, could adversely affect our brand image and reputation. See "*—Our business is in part dependent on our ability to negotiate, maintain and renew license agreements with leading designers on satisfactory terms* " and "*—The loss of certain key license agreements could result in the loss of revenue and materially and adversely affect our business. In addition, certain of our designers are not subject to non-compete obligations during the term of their license agreements with us and/or following the termination thereof, and our business could be adversely affected if they were to successfully cooperate with our competitors*".

Perception of our brands could also deteriorate if trends in luxury goods were to move away from a preference for "made in Italy" or "made in Scandinavia" goods, if we are perceived to act in an unethical or socially irresponsible manner, including with respect to the protection of the environment, the sourcing, disposal, content or sale of our products or the use of customer data, if we fail to comply with laws and regulations or if we fail to deliver a consistently positive customer experience in each of our markets. Additionally, inconsistent uses of our brands and other intellectual property assets, as well as failure to protect our intellectual property, including from unauthorized uses of our brand names or other intellectual property assets, can erode customer trust and our brands' value. See "*—If we are unable to protect our license and other intellectual property rights from others, or if counterfeiting increases, our business may suffer, and we may incur significant additional costs"*. Any such erosion in the perceived value of our brand names and designs may adversely affect our competitive position and have a material adverse effect on our business, financial position and results of operations.

In addition, Flos, Louis Poulsen and B&B are each somewhat dependent on third-party distributors of their products. For example, a vast majority of our distribution network comprises mono-brand and multi-brand stores that are managed by third parties. These third-party managers typically have their own processes, sales organizations and contracts with landlords and may not have the business acumen or financial resources necessary to successfully operate stores in a manner consistent with each of our brands' standards and may not hire and train qualified store managers and other personnel. See "*—Our failure to effectively control our distribution network and their commercial practices could adversely affect our brand reputation. In addition, any disruption in the operations of our distributors or in our relationships with them could adversely affect our business*". Should these third-party managers misrepresent our products (*e.g.*, in terms of pricing or product presentation), act in an unethical or socially irresponsible manner (including with respect to environmental protection), fail to comply with laws and regulations or fail to deliver a consistently positive customer experience, the public perception of our brands may deteriorate. In addition, certain of our products are manufactured and assembled by third parties. Although we have quality assurance procedures in place to continually monitor external production and assembly which are requested to comply with the highest standard of quality and have not experienced material disruptions or other issues with suppliers, our products could be manufactured or delivered in a manner inconsistent with our standards, which could cause affect our ability to meet our customers' expectations and adversely affect our brand reputation. Any failure on the part of these third parties to preserve and build our brands could compromise our reputation or the public's perception of our brands, thereby diminishing the value of such brands and potentially having a material adverse effect on our business, results of operations and financial condition.

Failure to comply with local laws and regulations or other matters affecting compliance with corporate governance best practices could also harm our corporate reputation. Damage to our corporate reputation or loss of customer confidence for any of these or other reasons could require additional investment to rebuild our reputation and could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Market perceptions concerning the instability of the euro, the potential reintroduction of individual currencies within the Eurozone or the potential dissolution of the euro entirely could negatively impact our business or our ability to refinance our liabilities. In addition, economic conditions and political uncertainty in Italy could affect our business.

Economic and political events in recent years affecting European economies have raised a number of questions regarding the stability and overall standing of the European Monetary Union. Credit risk in these countries and in other Eurozone countries could have a negative impact on our business. Concerns also remain regarding 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 euro member states. In addition, continued hostilities in the Middle East and tensions in North Africa and Eastern Europe and other world events could adversely affect the economies of the European Union (the "**EU**") and those of other countries, which have been severely hit by the COVID-19 pandemic. Future developments are dependent upon a number of political and economic factors, including the effectiveness of measures by the European Commission and EU member states to counterbalance the negative consequences of the COVID-19 pandemic and to overcome endemic issues related to debt burdens of certain countries in Europe, the overall stability of the Eurozone, the future relationship between the United Kingdom and the EU, the influx of refugees in certain European countries and the rise of populism in Europe.

The exit of the United Kingdom from the European Union, effective January 1, 2021, has come with significant uncertainty about the future relationship between the United Kingdom and the EU and its remaining member states and with respect to the laws and regulations that will apply as the United Kingdom determines which EU-derived laws to replace or replicate following its exit from the European Union, including financial laws and regulations, tax and free trade agreements, intellectual property rights, supply chain logistics, environmental, health and safety laws and regulations, immigration laws and employment laws. This uncertainty could increase costs, depress economic activity and restrict our access to capital.

The departure or risk of departure from the euro by one or more Eurozone countries or the abandonment of the euro as a currency could have major negative effects on the Italian economy and therefore the Group. This is because Italy represents a significant market for us and is where a large portion of our products are manufactured. As such, we would be particularly affected by the occurrence of any such events. The departure of Italy from the euro would increase our exposure to changes in currency rates and may result in the imposition of exchange controls, among other economic measures. Any of these developments could affect our ability to refinance our liabilities and could have a material adverse effect on our business, financial condition, results of operations and cash flows. Since 2017, Italy has experienced slow economic growth and, following the outbreak of the COVID-19 pandemic, the Italian economy contracted sharply during the first half of 2020, recording a contraction in GDP of 5.4% in the first quarter of 2020, followed by a 12.8% decrease in the second quarter of 2020, in each case as compared to the previous quarter. Notwithstanding a rebound in the third quarter of the year with the GDP growing by 16.1% as compared to the previous quarter, the fourth quarter showed a 1.9% decrease compared to the previous quarter, with the government debt to GDP ratio being 155.8% as of December 31, 2020, increasing of 21.2 percentage points compared to the previous year (source: ISTAT).

COVID-19 has had, and is expected to continue to have, a significant impact on Italy's economy and its public finances. This is due to a decline in tourism, weaker consumer spending and lower industrial production. In April 2020, Fitch Ratings downgraded Italy's sovereign credit rating to BBB- from BBB while indicating a stable outlook, and recently affirmed such rating and outlook in December 2020. Since the beginning of the COVID-19 pandemic, Moody's Investors Service has not changed Italy's sovereign credit rating which remains at Baa3 with a stable outlook. In April 2021, S&P Global Ratings confirmed Italy's sovereign credit rating and outlook at BBB/A-2 with a stable outlook. Further downgrades of the Italian sovereign debt could create additional economic uncertainty and could have an adverse effect on our credit ratings. In addition, prolonged political instability in Italy may result in decreased demand for our products or in challenges to conducting our business as usual. This in turn may give rise to a decrease in prices and profitability levels, which may have a material adverse effect on our business, financial condition and results of operations. We may also be affected by political uncertainty in Italy, the emergence of which may negatively impact business confidence. While the current government is supported by a large majority of the Italian parliament, coalition governments in Italy have in the past failed, and it remains unclear whether the current government will be able to adequately address impediments to the country's growth, including as a result of the COVID-19 pandemic, such as the ratio of sovereign debt to GDP, the write-down of non-performing loans and the reduction of unemployment in Italy. In addition, the deployment of funds destined to boost Italy's economic performance over the next years pursuant to the Recovery and Resilience Plan recently adopted by the Italian government is tied to the government being able to implement the reform plan pre-agreed with the European Commission. Therefore, any such failure to implement these reforms might directly impact Italy's positioning within the European Union and therefore negatively affect its economic rebound. Furthermore, the government may take positions that further exacerbate economic uncertainty in Italy which, in turn, may contribute to recessionary conditions and uncertainty in the macroeconomic environment.

The continued impact of the adverse global, European and Italian economic and market conditions, including, among others, the effects of the COVID-19 pandemic, could have a material adverse effect on our business, financial condition and results of operations. See "*—The COVID-19 pandemic has adversely affected and is expected to continue to pose risks to our business, financial condition, results of operations and cash flows, and other epidemics or outbreaks of infectious diseases may have a similar impact*".

We are party to license agreements with designers which require us to pay royalty and other fees and, in limited cases, to make certain expenditures.

Our business depends on the sale of innovative, design-driven products developed by well-known designers. While our license arrangements differ from designer to designer and across our three companies, most agreements provide for periodic payments of royalties or similar fees based on a percentage of net sales or a percentage of the costs incurred by the relevant company to manufacture the relevant products. For the year ended December 31, 2020, we paid €10.4 million in royalties to designers. In very few cases, license agreements require us to pay minimum guaranteed amounts and may also include advertising fees payable to the relevant designer or investments to be made by us. Under certain circumstances, minimum guaranteed amounts or fixed fees may result in us having to make payments that exceed the amount of income we are able to generate from actual sales of the licensed designs. In addition, from time to time, we may make upfront advances of royalties or loans to licensors. Furthermore, renewal of a license can lead to renegotiation of commercial terms, which may not be as favorable as the original terms. As a result, there are circumstances in which our payments to certain licensors could exceed our income earned pursuant to the relevant license, such as when we are renewing a key license or when the value of a design or perception of a designer among consumers has become impaired. Any increases in the fees and royalties that we pay designers, especially if those increases result in our payments surpassing the revenue obtained from the design, could have an adverse effect on our business, financial condition, results of operations and cash flows.

We are exposed to risks associated with fluctuations in currency exchange rates.

Our reporting currency is the euro. Given we operate on an international level, we are exposed to foreign currency exchange risk, primarily related to (i) the fact that a portion of our revenues and costs is denominated in currencies different from our relevant reporting currency and (ii) the translation effect resulting from the consolidation of foreign subsidiaries which report in a currency different from the relevant group reporting currency (such as Louis Poulsen, which reports in Danish krone, which maintains a fixed-exchange-rate policy *vis-à-vis* the Euro with a limited scope in fluctuation range). For the year ended December 31, 2020, approximately 64.7%, 12.6%, 12.0% and 3.2% of our revenues were denominated in euro, U.S. dollar, Danish krone and yen, respectively.

Although we generate most of our revenues and incur most of our costs in euro, our exposure to the fluctuation of the U.S. dollar against the euro is expected to increase as a result of the acquisition of YDesign, which reports in U.S. dollar. In particular, YDesign's revenues for the year ended December 31, 2020 amounted to $163.2 million and the effects on our consolidated financial results are only partially offset by the fact that YDesign's costs are also denominated in U.S. dollars.

Continuous fluctuation in currency exchange rates could have an adverse effect on our operating results and financial condition, particularly in relation to our cash flows, which could be affected by outstanding nominal foreign currency financial and trade receivables or payables, incurred prior to, but due to be settled after, a change to the relevant exchange rate. Changes in currency exchange rates may also have a long-term impact on demand for our products, with relative increases in the value of the euro, yen, U.S. dollar or the Danish krone, as applicable, as compared to other currencies making products more expensive for international customers and resulting in a decrease in revenue. Any increased costs or reduced revenue as a result of foreign currency fluctuations could have a material adverse effect on our business, financial condition, results of operations and cash flow.

As we generate most of our revenue and incur most of our costs in euro, we have chosen not to engage in foreign exchange hedging, as we believe that the amount of revenue generated in currencies other than the euro naturally offsets the costs incurred in such other currencies. However, Louis Poulsen normally enters into forward exchange contracts to secure sales denominated in Japanese yen, Swedish kroner and Norwegian kroner.

If our relationship with key suppliers of certain raw materials, components or finished products deteriorate or if we experience any operational difficulties with such key suppliers, our business could be adversely affected.

Each of Flos, Louis Poulsen and B&B normally sources raw materials from a diversified network of suppliers. However, if the relationships with certain of these key suppliers were to deteriorate, we may experience increased costs and may not be able to develop relationships with new suppliers in a timely manner or in a manner that is sufficient to supply any shortfall. Such an outcome could occur if one or more of such key suppliers decides to no longer work with us, demands higher prices or more stringent payment terms or is unable to meet the quantity or quality of our product requirements, as a result of a natural disaster, pandemics, labor strikes, financial difficulties or otherwise. Certain of our supply agreements also contain expiry dates without automatic renewal provisions. In addition, although Louis Poulsen sourced components and materials from approximately 225-250 suppliers in 2020, its top ten suppliers in accounted for approximately 60% of its sourcing value. If we experience a significant increase in demand or need to replace an existing supplier or add new suppliers to the existing ones, substitute suppliers may not exist or be prepared to supply branded products to meet our requirements. For new or substitute suppliers, we may encounter lack of capacity or delays in delivery. Moreover, a few of our products contain sophisticated high-end materials, such as mouth blown glass, the supply of which is limited. At times, including as a result of the effects of the COVID-19 pandemic, we experienced delays in the sourcing of mouth-blown glass or of certain LED components of our lamps, resulting in limited delivery delays of our products. Even if we were able to identify new suppliers, we may experience delays, increased costs, product shortages and customer back orders as we transition our product requirements to alternative suppliers. In addition, any new supplier with which we do business may be subject to the same or similar quality and quantity-related risks as our existing suppliers. Any such developments could increase our cost of sales and adversely affect our overall profit margins.

We may also experience operational difficulties with certain suppliers, especially in connection with complex contract projects, such as a reduction in the availability of production capacity, errors in complying with product specifications, insufficient quality control or failures to meet production deadlines.

In addition, despite having procedures in place to monitor our suppliers, we may not be able to monitor their subcontractors or other parties, if any, to whom they have outsourced part of the manufacturing process. Such difficulties may negatively impact our ability to deliver quality products to our customers and stores on a timely basis, which could, in turn, have a material adverse effect on the Group's business, financial condition, results of operations and cash flows.

If prices of the raw materials we employ in our manufacturing processes or of the components or finished products we purchase were to increase, our business could be adversely affected to the extent we are not able to pass any such price increases on to our customers.

Although raw materials and other components we purchase from suppliers often represent a relatively small percentage of the price of our products, our margins are partially impacted by the relationship between the prices that we are able to charge for our products and the costs of the raw materials and components required to make these products, or of the finished or semi-finished products we purchase where manufacturing activities are outsourced. In addition, whenever manufacturing activities are outsourced (such as for most of Flos' decorative products), fluctuations in the prices of the raw materials utilized by the third-party suppliers in their manufacturing processes may also affect prices paid by us for the supply of finished or semi-finished products. Most of our contractual arrangements with suppliers do not protect us from price increases and price lists are revisited quite frequently.

The availability and price of raw materials and components are influenced by factors over which we have limited control, such as market conditions, general global economic prospects, production capacity, production constraints on the part of our suppliers, fluctuations in global prices, infrastructure failures, political conditions, weather conditions, regulations and other factors. Increases in raw material or other component prices could place strains on our working capital requirements if we are unable to increase the prices of our products proportionally. Moreover, if we pass the increase in sourcing costs on to our customers by raising the prices of our products, the demand for our products may decline, in particular if competitors choose not to raise prices. In turn, if we are unable to pass cost increases related to raw materials or components and other costs on to our customers, we may experience pressure on our gross margins, which could have a material adverse effect on our business, results of operations, financial condition and prospects. Additionally, delays or interruptions in supply could in turn cause delays in the delivery of our products to customers, increase the chance of litigation with customers, place increased pressure on our margins and reduce our cash flow. Any of these possibilities could materially adversely affect our business, financial condition and results of operations, as well as impair our ability to fulfil our financing obligations or make further investments in our business.

Given that we do not normally use derivatives to hedge the price fluctuation risk of raw materials, if prices of raw materials are volatile in the future, we might need to constantly adjust our sales prices to maintain sufficient profitability, especially in an environment of rising raw material prices. In response to changes in demand levels, our competitors may price their products more aggressively in order to retain market share, which could result in an adverse market environment for us in the short term until the market reaches a new equilibrium. There may be other unforeseen effects which we cannot predict given the volatility of raw material prices. Any such event that results in a material increase in the price of raw materials or other products sourced from third parties could have a material adverse effect on the Group's business, financial condition, results of operations and cash flows.

Our business could be harmed if we are unable to accurately forecast demand for certain of our products and to adequately manage our product inventory.

The investments we make in our businesses are in part driven by our expectations of the future success of our products. For those of our products that are not made to order (such as Flos' decorative collection and certain of LP's B2C products) and/or that are produced externally (such as most outdoor products and certain product components of B&B), we often forecast inventory needs and expenses and place orders sufficiently in advance with our third-party suppliers and manufacturers based on our estimates of future demand. Although we frequently adjust our estimates to reflect demand trends and have not experienced material issues in the past notwithstanding the prolonged effects of the COVID-19 pandemic, our ability to accurately forecast demand for such products could be affected by many factors, including an increase or decrease in demand for our products or for our competitors' products, unanticipated changes in general market conditions and changes in economic conditions. For a description of the impact that the COVID-19 pandemic has had on our business and results of operations, please see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting the Results of Operations of the Group—COVID-19*". See also "*—The COVID-19 pandemic has adversely affected and is expected to continue to pose risks to our business, financial condition, results of operations and cash flows, and other epidemics or outbreaks of infectious diseases may have a similar impact*".

If we underestimate demand for a particular product, our third-party manufacturers and suppliers may not be able to deliver sufficient quantities of that product or material to meet our requirements, and we may experience increased delivery times or a shortage of that product available for sale or distribution. The shortage of a popular product or an increase in delivery times could adversely affect our brand, our customer relationships and our ability to attract additional customers. Alternatively, inventory levels in excess of demand may result in inventory write-downs or write-offs and the sale of excess inventory at further discounted prices, which could have a material adverse effect on the Group's business, financial condition, results of operations and cash flows. Moreover, the YDesign Group does not manufacture any products in house and, once orders are received, depending on the availability of such products at YDesign Group's warehouse, the company either ships on-hand products directly or instructs the relevant vendor to mail directly to the customer. Any failure by these vendors to properly and timely manage the preparation and shipping of our customers' orders may harm YDesign's and our reputation and therefore have a material adverse effect on the Group's business, financial condition, results of operations and cash flows.

Any disruption relating to our manufacturing or assembly facilities or warehouses or to our distribution and delivery processes could have a materially adverse impact on our business.

Flos owns four assembly facilities and warehouses in Italy, Flos' subsidiary Ares S.r.l. ("**Ares**") owns three production facilities and two warehouses in Italy, Flos' Antares subsidiary leases its headquarters in Spain, Louis Poulsen leases a manufacturing facility and warehouse in Denmark and warehouses in the United States, Japan and Singapore and B&B owns two manufacturing facilities and operates two leased warehouses and one manufacturing facility in Italy for Arclinea. A majority of Flos' products and a limited percentage of Louis Poulsen's products are manufactured pursuant to their specifications by third-party manufacturers or are otherwise sourced as input parts from third-party suppliers. The YDesign Group does not manufacture any products in house. In addition, our finished products are delivered to our customers internationally from either our distribution centers in Italy, Denmark, the United States and Asia. The orderly operation of our manufacturing and delivery processes depends on adherence to manufacturing, assembling and shipping schedules and effective management of the facilities through which we and other third-party manufacturers operate. All of these facilities are subject to operational risk, including, but not limited to:

- equipment failure or interruptions in power supplies;
- failure to comply with applicable regulations and standards;
- failure to maintain necessary permits and approvals;
- material supply disruptions;
- import quotas;
- labor force shortages or work stoppages;
- environmental conditions;
- events impeding or increasing the cost of transporting our products, including enhanced security measures at U.S. and other international ports;
- natural or man-made disasters;
- fires or floods; and
- terrorist attacks or political unrest.

Any significant disruption in operations to our manufacturing facilities or our distribution centers resulting from these or other events may, to the extent not covered by our business interruption insurance or if such insurance claims are not paid promptly, have a material adverse effect on our business, results of operations and financial condition. Some of the components we manufacture in-house, such as large foam components of B&B sofas, may be difficult to source externally, and any material disruption in the relevant production machinery could cause severe delays in the delivery of such products. In addition, we could incur significantly higher costs and longer lead times associated with distributing merchandise to our customers during the time it takes for us to reopen, restore or replace our manufacturing or assembly facilities or warehouses and any refund from our business interruption insurance may prove to be insufficient.

In addition to our manufacturing and assembly operations, we rely upon various means of transportation, primarily provided by third parties, to deliver products from third-party manufacturers or assemblers to our warehouses and from our warehouses to our customers. Labor shortages or capacity constraints in the transportation industry, financial distress or bankruptcy of our couriers, disruptions to the national and international transportation infrastructure, domestic and international travel restrictions, fuel shortages or transportation cost increases (such as increases in fuel costs or port fees) could have a material adverse effect on our business and operating results, including as a result of any material adverse effect on YDesign's business, which resorts to third parties for the distribution of products to its customers. For example, in 2017, Flos' main courier in Italy, Artoni, was admitted to extraordinary administration by the competent court, which led to some minor delays in the delivery of Flos' products. In addition, in 2020, we experienced delays in delivering products from third-party manufacturers or assemblers to our warehouses and from our warehouses to our customers, due to the closure of these manufacturers or assemblers facilities and/or to the travel restrictions imposed by certain governments to limit the spread of the COVID-19 infection. In addition, B&B experienced certain operational issues relating to planning and order scheduling that affected B&B's performance in the first half of 2020 and which were promptly resolved by the second half of the year. See "*—The COVID-19 pandemic has adversely affected and is expected to continue to pose risks to our business, financial condition, results of operations and cash flows, and other epidemics or outbreaks of infectious diseases may have a similar impact*". Any of these disruptions to our logistics organization, whether to our manufacturing and warehouse facilities or to the transport systems that we rely on to get our products to our customers, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our future success depends on our ability to continue to retain and attract highly skilled employees. The loss of key personnel could have an adverse effect on our operations.

We believe that the members of our senior management team are key to our business. Retention of senior management is important in our business due to the limited availability of experienced and talented executives. We have put in place policies and remuneration designed to retain and incentivize management; however, there can be no guarantee that we will be able to retain and properly incentivize management or to find suitable replacements should any of them leave us. Competition for such personnel is significant, and we may not be able to attract and retain a sufficient number of qualified personnel in the future. We also face the challenge of attracting, developing and retaining qualified staff for our directly operated stores, manufacturing plants, distribution centers and aftermarket services teams while controlling our labor costs. Our ability to support our strategy may be limited by our ability to employ, train, motivate and retain sufficient skilled personnel such as manufacturing staff, store managers, and aftermarket service providers. There can be no assurance that we will continue to employ any of these key personnel or that we will be able to attract and retain qualified personnel in the future. Should key personnel leave in significant numbers or if a critical member of senior management were to leave unexpectedly, or if any of these were to join any of our competitors, this could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

We may be subject to production and litigation risks associated with our commercial contract divisions.

Each of Flos, Louis Poulsen and B&B operate business divisions dedicated to contract projects for commercial properties. Flos' Architectural and Outdoor divisions, which provide lighting solutions primarily for sophisticated, high-end commercial applications including retail stores, hotels, offices and outdoor markets, and, from time to time, exclusive residential properties, generated 24.0% of Flos' revenue for the year ended December 31, 2020. Louis Poulsen's B2B business comprises sales to specifiers in professional projects, such as architects, lighting designers, interior designers and building engineers, of both indoor and outdoor lighting solutions and for the year ended December 31, 2020 generated 32.4% of Louis Poulsen's revenue. B&B's Contract division, which delivers custom "turn-key" furniture solutions and finishes in the residential, hospitality, retail and office sectors, generated 9.5% of B&B's revenue for the year ended December 31, 2020. Contract projects are generally complex and must be completed to high, bespoke specifications. Although we typically request advance payments on contract projects in order to minimize credit risk, given the inherent complexity, large scale and extended duration of these projects, we remain exposed to financial risks related to, among other things, the non-performance of a contract due to bankruptcy or other operational or financial issues of the counterparty, as well as the delay of a project decided by our customer. Moreover, especially in connection with B&B's bigger contract business, when we do receive advance payments, we may from time to time be required to provide customers with bank guarantees and/or performance bonds, which could be enforced if we were to default on our contractual obligations for any reasons, including as a consequence of a delay from one of our suppliers. As of December 31, 2020, B&B bank guarantees and performance bonds given to third parties amounted to €8.5 million, €6.0 million of which related to contracts in the hospitality sector. Contract projects also expose Flos, Louis Poulsen and B&B to significant litigation risks due to the non-performance of a contract arising out of difficulties with suppliers, transportation systems or manufacturing facilities. As of December 31, 2020, we had set aside provisions of €2.9 million in connection with these and other minor pending legal proceedings. Furthermore, the scale of each project, as well as the wide visibility on certain commercial projects, exposes each company to reputational harm should they fail to meet the client's expectations regarding project design or product quality. Any monetary loss, litigation or reputational harm arising from Flos', Louis Poulsen's or B&B's exposure to large scale projects in their respective commercial contract divisions could have a material adverse effect on our business, financial condition, results of operations and cash flow.

Louis Poulsen's B2B division may be exposed to credit and regulatory risk associated with its activities with public entities.

Louis Poulsen's B2B division comprises sales to specifiers in professional projects, such as architects, lighting designers, interior designers and building engineers, of both indoor and outdoor lighting solutions. For the year ended December 31, 2020, the B2B division generated 32.4% of Louis Poulsen's total revenue. Although Louis Poulsen's B2B customers represent a wide range of industries, the vast majority of B2B Outdoor customers are public entities primarily located in Denmark and the U.S., but also in other European countries. As a result, a significant portion of Louis Poulsen's revenue is dependent on governments' and public authorities' programs and funding policies, as well as economic and political conditions. As governments and other public entities suffer from budget deficits, changes in regulations and changes in sentiment around public spending, their capacity to fund high-end designs from Louis Poulsen's B2B division could be materially affected. As a consequence of poor economic conditions or budget cuts, governments or local public authorities may call off or reconsider potential projects, exercise their right to terminate contracts, attempt to renegotiate contract terms in order to reduce costs or delay the time of payment, exposing Louis Poulsen to a significantly reduced demand for new B2B contracts or increased credit risk on existing contracts. Any decrease in spending by public sector entities on commercial lighting projects could adversely affect Louis Poulsen's profit margin, which could have a material adverse effect on our business, financial condition, results of operations and cash flow.

Our presence outside Europe exposes our companies to local business risks that could negatively affect our operations and growth strategy outside Europe.

We operate across five continents and, directly or indirectly, in approximately 140 countries. While the majority of our revenue currently derives from our operations in Europe, we believe that revenue from sales outside Europe will continue to grow in the foreseeable future, including as a result of our acquisition of YDesign. Accordingly, our business is subject to risks resulting from differing legal, political, social and regulatory requirements and economic conditions and unforeseeable developments in a variety of jurisdictions, including emerging markets. These risks include, among other things:

- political instability;
- differing economic cycles and adverse economic conditions;
- disruption of our operations;
- unexpected changes in regulatory environments or economic policies;
- varying tax regimes, including with respect to the imposition of withholding taxes on remittances and other payments by our subsidiaries;
- fluctuations in currency exchange rates;

- inability to collect payments or seek recourse under or comply with ambiguous or vague commercial or other laws;
- transportation delays and difficulties of managing international distribution channels and suppliers;
- insufficient protection against product piracy and other violations of our intellectual property rights;
- foreign exchange controls and restrictions on repatriation of funds; and
- difficulties in attracting and retaining qualified management and employees, or further rationalizing our work force.

Our expansion into markets outside of Europe requires us to respond to rapid changes in market conditions in these countries. Our overall success as a global business depends, to a considerable extent, on our ability to anticipate and effectively manage differing legal, political, social and regulatory requirements and economic conditions and unforeseeable developments. We cannot assure you that we will continue to succeed in developing and implementing policies and strategies which will be effective in each location where we do business. Any inability to successfully expand and conduct our business outside of Europe could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We are exposed to risks in relation to compliance with anti-corruption laws, anti-bribery laws and regulations and economic sanction programs.

Doing business on a worldwide basis requires us to comply with the laws and regulations of various jurisdictions. We are also required to comply with anti-corruption laws and regulations, such as the U.S. Foreign Corrupt Practices Act of 1977, as amended (the "**FCPA**"), the U.K. Bribery Act of 2010 (the "**Bribery Act**"), any law or regulation implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, and economic sanctions programs, including those administered by the United Nations, the EU, the U.S. Office of Foreign Asset Control ("**OFAC**"), the U.S. Department of State and Her Majesty's Treasury of the United Kingdom. The FCPA prohibits providing anything of value to foreign officials for the purposes of obtaining or retaining business or securing any improper business advantage. As a result of doing business in foreign countries, we are exposed to a risk of violating anti-corruption laws and sanctions regulations applicable in those countries where we, our partners or agents operate. Some of the international locations in which we operate lack a developed legal system and have high levels of corruption. Our continued expansion and worldwide operations, including in developing countries, the development of joint venture relationships worldwide and the employment of local agents in the countries in which we operate increases the risk of violations of anti-corruption laws, OFAC or similar laws. As a result, from time to time we may be subject to proceedings and investigations relating to such laws and regulations. Violations of anti-corruption laws and sanctions regulations are punishable by civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts (and termination of existing contracts) and revocations or restrictions of licenses, as well as criminal fines and imprisonment. In addition, any major violations could have a significant impact on our reputation and consequently on our ability to win future business. While we believe that we have a strong culture of compliance and adequate systems of control, we seek to continuously improve our systems of internal controls and to remedy any weaknesses identified. There can be no assurance, however, that the policies and procedures have been or will be followed at all times (including by companies that we acquired) or effectively detect and prevent violations of the applicable laws by one or more of our directors, officers, employees, consultants, agents or partners and, as a result, we could be subject to penalties and sanctions, which in turn could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may not be able to successfully expand into new markets or grow our online presence on a timely basis, or at all, which could harm our growth and results of operations.

Our growth will be in part dependent on our ability to continue to open profitable new stores and increase our online presence. Our strategies include the opening of seven to ten multi brand stores in the next four years in strategic areas and the creation of a new multi-brand e-commerce platform with distribution in Europe and the U.S. (see also "*—We may not be able to fully realize the Group's commercial and strategic vision*"). Our ability to increase the number of our stores will depend in part on the availability of store sites, either directly owned or operated by third parties, that meet our specifications. We may face competition from other retailers for suitable locations and we may also face difficulties in negotiating leases on acceptable terms. In addition, a lack of available financing on terms acceptable to real estate developers or a tightening credit market may adversely affect the retail sites available to us. Rising real estate and acquisition, construction and development costs and available lease financing could also inhibit our ability to open or acquire new stores. Our growth strategy is also highly dependent on our e-commerce activities and our ability to reach customers worldwide, in particular in the lighting industry. Due to the low barrier to entry to online platforms, we may face intensified competition from other high-end design stores that are also growing their presence online via e-commerce. Moreover, creating a joint e-commerce platform might entail difficulties in certain geographies, such as Europe due to its high fragmentation, or might not be successful for certain of our products (such as furnishing products, for which customer on-site visits and customization services play an important role), and may also adversely affect our relationships with existing online retailers.

Our expansion into new and existing markets via physical locations or e-commerce may present competitive, distribution, merchandising and regulatory challenges that differ from our current challenges, including competition among our stores, diminished novelty of our store design and concept, added strain on our distribution centers, additional information to be processed by our information technology systems and diversion of management attention from operations. As we grow our e-commerce activities and as we open stores in new markets, where we are less familiar with consumer trends and buying patterns and our brands are less well-known, we may face different or additional risks and increased costs compared to opening new stores in existing markets. For example, we may not accurately predict consumer preferences in new markets, which could result in lower than expected sales. A growing online presence and expansion into new markets could also bring us into direct competition with retailers with whom we have no past experience as direct competitors. To the extent that we are not able to meet these new challenges, our sales could decrease and our operating costs could increase. Furthermore, our margins may be impacted in periods in which incremental expenses are incurred as a result of new store openings. Any failure on our part to successfully implement our expansion strategy, either through physical stores or online, could have a material adverse effect on our business, financial condition, results of operations and cash flow.

System interruptions that impair customer access to our sites, performance failures in our technology infrastructure or data security breaches could damage our business, reputation and brand and substantially harm our business and results of operations.

The satisfactory performance, reliability and availability of our brand websites, transaction processing systems and technology infrastructure are critical to our reputation and our ability to acquire and retain customers, as well as maintain adequate customer service levels.

If our computer servers or communications hardware fail, or if we suffer from an interruption or degradation of technology services, we could lose customer data and miss order fulfillment deadlines, which could harm our business through exposure to litigation or reputational harm. Our systems and operations are also vulnerable to damage or interruption from fire, floods, power loss, telecommunications failure, terrorist attacks, cyberattacks, data loss, acts of war, break-ins, earthquake and similar events. In addition, some of the digital data we collect and process are stored and managed by third-party infrastructure operators that manage the servers underlying our IT platform, and any data security thefts, cyber-attacks or other material disruption affecting such operators could in turn adversely affect our operations and relationships with our customers. Our revenue depends in part on the number of visitors who shop on our sites and on the volume of orders we can handle. Unavailability of our sites or reduced order fulfillment performance would reduce the volume of goods sold and could also materially adversely affect consumer perception of our brand.

In addition, continued growth in our transaction volume, as well as surges in online traffic and orders associated with promotional activities or launches in our business, could place additional demands on our technology platform and could cause or exacerbate slowdowns or interruptions. If there is a substantial increase in the volume of traffic on our sites or the number of orders placed by customers, we will be required to further expand and upgrade our technology, transaction processing systems and network infrastructure. There can be no assurance that we will be able to accurately project the rate or timing of increases, if any, in the use of our sites or expand and upgrade our systems and infrastructure to accommodate such increases on a timely basis. In order to remain competitive, we must continue to enhance and improve the responsiveness, functionality and features of our sites and our information technology ("**IT**") systems and infrastructure. This is particularly challenging given the rapid rate at which new technologies, customer preferences and expectations and industry standards and practices are evolving. In order to keep pace with these evolving trends, we have from time to time redesigned and enhanced and we are currently redesigning and enhancing various functions on our sites and/or our IT systems and infrastructure and we may experience instability and performance issues as a result of these changes. Our disaster recovery plan may be inadequate, and our business interruption insurance may not be sufficient to compensate us for the losses that could occur. Any slowdown or failure of our sites and the underlying technology infrastructure could harm our reputation and impede our ability to acquire, retain and serve our customers, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

More stringent regulations, including in the area of consumer data privacy, could adversely affect our business, financial condition and results of operations.

We are subject to laws and regulations in a number of areas, including consumer data protection. In the ordinary course of business, we are required to process the personal data of our customers. The regulatory environment governing the use of individually identifiable data of customers, employees and others is complex. Privacy and information security laws and requirements change frequently and compliance with them may require us to incur costs to make necessary system changes and implement new administrative processes. Any processing of the personal data of individuals located in the European Economic Area in the course of the provision of services is governed by the EU data protection regime. On May 24, 2016, the EU adopted the General Data Protection Regulation (Regulation (EU) 2016/679) ("**GDPR**") with the aim to, among other things, strengthen and unify data protection for all individuals within the EU. The GDPR became effective in each EU Member State on May 25, 2018, replacing the former European data protection regulatory framework. The GDPR increased our regulatory burden, in terms of compliance with the new rules, as well as the maximum level of fines for non-compliance. In particular, the GDPR obligates European Union-based companies or companies that process personal data about European Union subjects (either as "data controllers" or as "data processors") to comply with a large number of obligations, which relate, for example, to (i) the processing of personal data including transparency, data minimization, accuracy, storage limitation, security and confidentiality, (ii) the ability of the controller to demonstrate compliance with such principles (accountability), (iii) the obligation to identify a legal basis before the processing and (iv) the rights of data subjects, such as, among others, transparency, a right of access, the right to rectification and the right to erasure. The GDPR obligates companies to implement a number of formal processes and policies to review and document the privacy implications of the development, acquisition, or use of all new products, technologies or types of data. Non-compliance with the GDPR may result in significant penalties including fines of up to 4% of total annual worldwide turnover or €20 million (whichever is higher), depending on the type and severity of the breach. The fine may be imposed instead of, or in addition to, measures that may be ordered by supervisory authorities (such as the request to cease processing). Our data security insurance coverage is limited and we cannot guarantee that our data security insurance coverage or our general liability insurance coverage will be sufficient to cover all or any liabilities in the event of a breach of our data security systems. Moreover, evolving regulation relating to privacy, information security and data protection could increase our costs and affect or limit the way through which we collect, process, use, store and transfer personal data. Compliance with, and monitoring of such laws and regulations is demanding, time consuming and costly. Further, such laws and regulations, including their interpretation and application, change from time to time, and such changes could impose new burdens and expose us to further liability, either of which could have a material adverse effect on our business, financial condition, results of operations and cash flows. Furthermore, in the aftermath of temporary personnel initiatives implemented as a result of the COVID-19 pandemic, such as a reliance on remote working, as well as an increased amount of employee health data being processed, our exposure to this risk is temporarily heightened. The European Commission has proposed enhanced regulations concerning privacy and electronic communications (the "**e-Privacy Regulation**"), which would entail additional and stricter rules than those established under the GDPR in respect of the use of personal data from electronic communications. The e-Privacy Regulation would establish fines similar to those included in GDPR. These regulations may affect the development of innovative services that would draw on consumer data, potentially creating a competitive disadvantage for undertakings subject to both the GDPR and the e-Privacy Regulation.

If we were found to be subject to and in violation of any of these laws or other data privacy laws or regulations, we would likely be required to change our business practices and may be exposed to litigation and regulatory penalties and fines, which could have a material adverse effect on our business, financial condition and results of operations. If a data security breach occurs, our reputation could be damaged and we could experience lost sales, fines or lawsuits. The customer data could be either stolen or misappropriated at any stage of data processing, such as receipt, transmission, use or storage of the data. If any loss or misappropriation were to occur, customers may be unwilling to provide us with their data and direct marketing could be negatively affected as a result. Furthermore, a loss or misappropriation of customer data could result in negative publicity, which could damage our reputation and result in lower sales.

Finally, our operations are subject to certain environmental, product safety and other laws and regulations applicable to our products. Any change in these laws and regulations could restrict our ability to export products to certain markets, result in increased production or distribution costs or require us to replace certain raw materials or components at higher cost, which could cause delays in the delivery of our products. For example, in 2018, the U.S. introduced certain bans on formaldehyde-releasing agents which are often found in, among other things, resins used in the manufacture of composite wood products, glues, paints, coatings and lacquers. As a result of these new rules, B&B had to adjust its manufacturing processes to ensure that no such agents were contained in its products, which caused minor delays in the delivery of certain products to the U.S. B&B's general approach to such situations is to promptly adapt its manufacturing standards and processes to the highest industry standards required by the laws of the countries in which it operates, as these may change from time to time. Although this change did not result in any material cost increases, there can be no assurance that future changes in environmental, product safety or other regulations would not result in material increases in raw material costs or delays in production for B&B or any other companies in the Group. Any such change in regulation, any theft or misappropriation of customer data, or any failure to abide by other laws or regulations governing data privacy or other areas of our operations could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may fail to implement or maintain adequate monitoring and control systems as provided for under Italian law or they might be insufficient to prevent the violation of laws and regulations.

As Italian companies, the Issuer, Flos and B&B are subject to Italian Legislative Decree No. 231/2001 ("**LD 231/2001**"), which is aimed, *inter alia*, at preventing direct or indirect acts of corruption, bribery, anti-competitive behavior, money laundering, fraud, environmental crimes, health and safety crimes and any other illegal or otherwise unethical conduct. Pursuant to LD

231/2001, each of the Issuer, Flos and B&B have implemented internal controls and monitoring systems aimed at detecting and preventing such conduct. Although the Issuer, Flos and B&B have maintained and utilized these controls and monitoring systems, these systems may be unable to detect or prevent every instance of unethical conduct involving our directors, employees, consultants, partners, internal and third-party agents, representatives and intermediaries. In addition, the Issuer, Flos or B&B may fail to adequately update such systems. Even if implemented, updated and maintained, these monitoring systems, including internal controls and procedures at each of the Issuer, Flos and B&B, may not be sufficient to protect, detect and identify inadequate practices or violations of law.

Any of the foregoing circumstances, including our failure to adequately update such monitoring systems, may expose us to civil and administrative penalties, including pursuant to the provisions of LD 231/2001, as well as to reputational damage as a result of such occurrences. In particular, pursuant to LD 231/2001, we may be held responsible for certain crimes committed in Italy or abroad (including, among others, corruption, fraud against the state, corporate offenses, market abuse, certain environmental violations and workplace safety violations) in our interest or for our benefit by individuals having a functional relationship with us at the time the relevant crime was committed, including third-party agents, partners or intermediaries, unless we were able to prove that such individuals fraudulently violated such internal control model and it was impossible for us to avoid such violation. In such circumstances, we may be subject to fines, confiscation of profits or legal sanctions, including, subject to certain conditions, the termination of authorizations, permits, licenses, concessions and financing arrangements, including facilitated financing, suspension of our operations, or prohibitions on contracting with public authorities. The duration of these disqualifications range from a minimum of three months to a maximum of two years, although in very serious cases, some of these disqualifications can be applied permanently. Certain of the abovementioned legal sanctions may also be applied as interim measures during investigations. As an alternative to the legal sanctions, the court may appoint a judicial custodian to run the company, with the consequence that the profits gained during the receivership period are automatically confiscated. Any of these events could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our results of operations are partially exposed to seasonal fluctuations, and results for any quarter may not necessarily be indicative of the results that may be achieved for the full financial year.

The quarterly results of each of Flos, Louis Poulsen and B&B have fluctuated in the past and may fluctuate in the future, depending upon a variety of factors, including, among other things, product launches, store openings and closings, annual design or furniture fairs and exhibitions (such as the Salone Internazionale del Mobile in Milan), shifts in the timing of holidays, timing of delivery of orders and competitive factors. For example, unseasonable weather conditions may reduce footfall in certain shopping areas and reduce demand for certain product categories, such as outdoor furniture from the B&B Italia Outdoor line and outdoor lighting from Flos and Louis Poulsen, which could also have an impact on our quarterly results.

In particular, the results of Flos, Louis Poulsen and B&B have in the past been partly affected by seasonal patterns of new product launches. More generally, we typically generate, and expect to continue to generate, a large portion of our revenue in the fourth quarter of the year. Such seasonality occurs in connection with the launch of new products, increased demand for indoor lighting during the darker winter months and promotions associated with Black Friday in November and Christmas in December. See "*Management's Discussion and Analysis of Financial Conditions and Results of Operations—Significant Factors Affecting the Results of Operations of the Group—Seasonality*". As a result of these factors, our working capital requirements reach their highest level in the third quarter Flos, Louis Poulsen and B&B ramp up their production and internal sales efforts in preparation for new product launches and increased customer demand during the fourth quarter. Due to our significant fixed cost base, represented by rent and employee wages and salaries, if we experience lower sales during the fourth quarter or other periods of high demand, we may be unable to reduce our costs in the short term to offset the lower revenue, which could have a material adverse effect on our business, financial condition and results of operations.

Demands on our logistics chain also fluctuate during the year in response to seasonal trends in our business. For example, the weeks immediately preceding the holiday selling season in the fourth quarter are a particularly demanding period for some parts of our logistics organization, as well as the weeks immediately preceding the summer season for our outdoor products, as inventory volumes tend to be higher to cope with anticipated demand. Any disruption in our supply or logistics chain during that period would therefore have an outsized effect on our results of operations. See also "*—Any disruption relating to our manufacturing or assembly facilities or warehouses or to our distribution and delivery processes could have a materially adverse impact on our business*".

As a result of the foregoing factors, our results of operations may fluctuate on a seasonal basis, as well as relative to corresponding periods in prior years. We may also engage in marketing campaigns that could have a disproportionate effect on our business, financial condition and results of operations in a particular quarter or selling season. Due to the seasonality inherent in the lighting and furnishings industry, period-on-period comparisons of our results of operations may not necessarily be meaningful and cannot be relied upon as indicators of future performance.

We intend to carry out acquisitions as part of our growth strategy, which may not deliver anticipated benefits.

We intend to continue to acquire companies or assets in the high-end design market or adjacent markets in the future as a key part of our growth strategy and such transactions could be significant or transformational in size and importance for the Group. The success of such strategy is dependent upon our ability to identify suitable acquisition targets, conduct appropriate due diligence, negotiate transactions on terms that are favorable for us, complete such transactions and integrate the acquired businesses. Our objective of acquiring further companies in the future depends on, among other things, the existence of suitable acquisition targets and our ability to finance their acquisition.

If we carry out acquisitions, there can be no assurance that we will be able to generate expected margins or cash flows or realize the anticipated benefits of such acquisitions, including expected growth or synergies. Our analysis and assessments of potential targets are subject to a number of assumptions concerning profitability, growth, interest rates and company valuations. There can be no assurance that our assessments and assumptions regarding acquisition targets will prove to be correct, and actual developments may differ significantly from our expectations. Furthermore, we may use debt financing for any acquisitions, which could be material and would in any event increase our debt service requirements, or we may use operating cash flows to finance acquisitions, which would decrease our retained earnings and the amount of cash on our balance sheet. In order to manage any acquisitions we successfully complete, we will need to expand and continue to improve our operational, financial and management information systems. Our excess cash may be limited, and we may not be able to invest in the acquired company to integrate the acquired business and achieve the desired synergies. Our ability to realize anticipated cost savings and synergies may be affected by a number of difficulties and risks, including, but not limited to:

- the loss of customers, suppliers or key employees;
- our ability to reduce expenses by eliminating duplicative overhead and functions and rationalizing manufacturing and/or distributing capacity in a timely manner;
- our ability to optimize procurement savings with respect to raw materials and other supplies;
- unforeseen legal, regulatory, contractual, accounting, cultural and other issues;
- difficulty in standardizing existing information and systems and consolidating facilities and infrastructure;

- failure to maintain the quality of the products that is associated with our existing brands;
- added costs caused by dealing with such disruptions;
- unforeseen challenges from operating in new geographic areas; and
- the diversion of management's attention from our day-to-day management as a result of the need to deal with the aforementioned disruptions and difficulties.

If we are unable to address, among others, the above mentioned risks, they could cause us to fail to realize the anticipated benefits of such acquisitions, including any targeted operational and organizational synergies.

In addition, in connection with any acquisitions, in spite of the due diligence we perform, we may inadvertently or unknowingly acquire actual or potential liabilities, including legal claims, claims for breach of contract, local authority proceedings, employment related claims, environmental liabilities, anti-corruption and sanctions law violations or tax liabilities. Finally, to the extent we divest any of our businesses, we may also incur contingent liabilities in connection with any indemnity we provide to the purchaser in connection with such divestiture. If any of the above were to materialize, this could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, any future acquisitions, particularly material or transformational acquisitions of larger businesses or business units, may prove more difficult to integrate into our business, increasing the risk that such acquisitions may not be successful. Transformational or material acquisitions would require significant financial and operating resources and we do not have experience undertaking such large acquisitions. In addition, acquisitions of businesses outside our core geographical markets may present additional challenges due to legal, cultural and linguistic differences and the difficulties presented by integrating and managing a business that is geographically more remote. Moreover, transformational or material acquisitions may result in unfavorable external perceptions of the transaction or us, creating the potential for ratings downgrades or adversely affecting the market price of the Notes. Similarly, any acquisitions of businesses operating in adjacent market segments could further exacerbate the difficulties in integrating such businesses.

Future acquisition opportunities and mergers may require approvals from antitrust and other authorities under antitrust or other regulation in force at the time in any one of a number of jurisdictions. For instance, if such approvals of a proposed acquisition or merger prove necessary, approval of the transaction may require, based on the relevant antirust authority's evaluation of prevailing market conditions and our position in the market, that we divest certain businesses in order to carry out the transaction. We may also be prohibited by antitrust authorities from carrying out the transaction. Furthermore, we could, as a consequence of our strong positions in certain of our markets, be considered by antitrust regulatory authorities to have a dominant position which could subject us to certain limitations in our ability to act on the market by adjusting our prices or otherwise. Any of these factors could materially adversely affect our ability to execute our strategy and our business, financial condition and results of operations.

Finally, we may enter into joint ventures, business alliances or collaboration agreements, which could involve the same or similar risks and uncertainties as are involved in acquisitions. Joint ventures, for example, generally involve a lesser degree of control over business operations, which may in the future present financial, legal, operational and/or compliance risks. We may invest substantial amounts in these joint ventures and cannot be assured that they will produce expected returns. Any inability to achieve projected synergies or properly address operational risks, either with regard to joint ventures or acquisitions, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our substantial amount of intangible assets could adversely affect our consolidated net income and our capitalization.

As of December 31, 2020, our main trademarks include "FLOS", "Louis Poulsen", "B&B Italia", "Arclinea", and "Maxalto", which are recorded among the intangible fixed assets in the Group balance sheet with a total value of 568.8 million. Such trademark is considered an asset with indefinite useful life and, accordingly, is not amortized and is subject to periodical impairment tests.

We cannot assure you that an adverse development in our business activities will not require us to recognize impairment charges to write-off all or a part of the carrying amount of our goodwill and tradenames. A write-off of all or a part of our goodwill and tradenames would adversely affect our consolidated net income and capitalization. Furthermore, if we were to recognize substantial amounts of goodwill and tradename as a result of any future acquisitions, an adverse development in any of these future acquisitions could require us in the future to recognize impairment charges to write-off all or a part of the carrying amount of the goodwill and tradename, which could have a material adverse effect on our business, financial condition and results of operations.

If our advertising and promotional activities are not successful, our ability to market and sell our products or develop new products may be harmed.

A key element of our marketing strategy is to undertake advertising and promotional activities in support of our brands, especially on social media, as well as in print publications featuring luxury interiors or geared toward architects and designers. For the year ended December 31, 2020, we spent approximately €16 million on marketing and public relations expenses, representing 3.0% of our total revenue for the same period. There can be no assurance that such advertising and promotional activities will be successful, will target customers in our core markets or will be relevant to the markets for high-end designer furnishings and lighting. In addition, we undertake direct advertising and promotional activities, namely the creation of display materials for our third-party distributors, catalogues and display materials for trade fairs and exhibitions. There can be no assurance that our advertising and promotional activities will be successful in promoting and maintaining awareness, and continued spend on these activities without a resulting increase in revenue could have a material adverse effect on our business, financial condition, results of operations and cash flows.

If we are unable to protect our license and other intellectual property rights from others, or if counterfeiting increases, our business may suffer, and we may incur significant additional costs.

We rely on unfair competition, design, patent, trademark and copyright laws to protect our rights to certain aspects of our products, including product designs, product research, concepts, product names and unregistered and registered trademarks. Certain of our iconic products may be protected by means of copyright law; however, requirements that need to be met to obtain copyright protection of industrial design products (e.g. certain creativity and artistic value thresholds) are quite high and may differ from country to country; therefore, it could be difficult for us to enforce such rights before obtaining a final judicial decision acknowledging that such requirements have been satisfied.

In addition, the trademark and design registration procedures and the relevant requirements vary from country to country and, therefore, we cannot guarantee that all of our trademark and registered design applications (especially regarding restyling of classic products) will be granted in each country. Moreover, unlike trademarks, design registrations may be renewed only for a limited period of time, which varies from jurisdiction to jurisdiction. For example, registered designs in the EU may only be renewed for up to 25 years. Some of our registrations are close to expiring, and the protection of the shape of the products covered by any expired registrations under copyright and unfair competition laws may be less effective.

The degree of protection offered by our various designs, patents, copyrights, trademarks and service marks may not be broad enough to provide significant proprietary protection or competitive advantages to us, and our pending applications for designs, patents, copyrights, trademarks or service marks may not be granted. In addition, not all of our products are covered by designs, patents or similar intellectual property protections. For example, Flos has not filed trademarks covering all of its names of products and product lines and relies to a certain extent on *de facto* trademarks. A number of Flos' classic products could be protected under copyright law; however, as copyrights are not subject to registration formalities under Italian law, enforcing copyright protection is difficult and costly and available remedies are weak. Although Louis Poulsen follows a policy of registering designs, trademarks and copyrights in its key markets, namely the EU, Norway, the U.S., China and Japan, in certain jurisdictions it is difficult or impossible to formalize such registrations and as a result enforcement may be challenging. B&B has also not filed or registered trademarks covering the names of all of its products or product lines, and certain other product names and product lines are only covered by *de facto* trademarks, which requires B&B to prove continuous use on a non-local basis. Although certain of B&B's well-known designs have been registered, most products covered by B&B's license agreements with designers have not been registered, and no registrations are in place for products that have been created internally.

We cannot assure you that the steps we have taken to protect our intellectual property rights will be adequate to prevent infringement of such rights by others, including through the imitation of our products and the misappropriation of our brands or product names. If we are unable to protect or maintain our intellectual property rights, the value of our brand could be diminished and our competitive position could suffer. Furthermore, the actions we take to protect our proprietary rights or the proprietary rights of our licensors may be inadequate to prevent counterfeiting of our products. The laws of certain countries do not protect proprietary rights to the same extent as the laws of the U.S. or the member states of the EU. We may need to resort to litigation in the future to enforce our intellectual property rights. We may not prevail in any litigation or other legal proceedings to defend our intellectual property rights and such proceedings may entail a material cost to us, or we may compromise or settle such claims for a variety of reasons. An adverse determination in any dispute involving our intellectual property rights could, among other things, (i) require us to grant licenses to, or obtain licenses from, third parties; (ii) prevent us from manufacturing, selling, importing or promoting our products; (iii) require us to discontinue use of a particular intellectual property right; (iv) subject us to substantial liability; or (v) enable competitors to exploit intangible assets that are currently part of our intellectual property rights. Given the popularity of our products, we believe there is a risk that counterfeit products or other products infringing on our trademarks, designs or licenses will continue to emerge, and this risk tends to be higher on e-commerce platforms. In order to combat counterfeit goods, we have and may continue to be required to expend considerable time and resources on monitoring and protecting our intellectual property rights. Although we have taken steps to detect and prevent further counterfeiting, we may not be able to detect or prevent all instances of infringement and may lose our competitive position in the market before we are able to do so. If the quality of counterfeit products is not representative of the quality of our genuine products, further damage could be done to the reputation of our brands.

We may, from time to time, be subject to claims by third parties that products we sell infringe upon their intellectual property rights. If we are found liable for any such infringement, we could be required to pay substantial damages, destroy products or comply with injunctions against us to prevent further infringement. In addition, such infringement claims could harm the perception of our brands by our customers or otherwise harm or image or reputation. Any payments we may be required to make and any injunctions with which we may be required to comply as a result of such infringement actions, as well as any failure by us to protect or enforce our intellectual property rights, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

If we experience labor disputes or work stoppages, our business could be materially adversely affected.

As of December 31, 2020, we estimate that 21% of our employees belonged to trade unions. There can be no assurance that there will not be any strikes in the future, such as in connection with any potential new acquisitions and any associated reorganization efforts. Any work stoppages resulting from employee strikes could hinder our ability to provide our standard level of customer service. In addition, we may become party to labor disputes with certain of our employees, including in connection with termination of their employment relations with us, and from time to time we may carry out collective dismissals. Such collective dismissals may result in disputes with or claims by trade unions and our employees and we may be required to pay additional amounts to resolve or settle such disputes or claims. Any disputes with our employees or work stoppages resulting from strikes or other labor action could have a material adverse effect on our business, financial condition, results of operations and cash flows. In Italy, dismissals for economic reasons are generally prohibited until June 30, 2021 due to the COVID-19 pandemic, pursuant to Italian Law No. 178 of December 30, 2020 (*Legge di Bilancio 2021*) and Italian Law Decree No. 41 of March 22, 2021 (*Decreto Sostegni*). All workers performing their activity in Italian territory are covered by mandatory social security insurance. This system is financed by contributions from employees and employers, calculated as a percentage of the employee's gross remuneration. These contributions represent a relatively high surcharge on labor costs. Also, in Italy, national insurance contributions to INAIL (the National Institute for Accidents at Work), which covers all professional risks, are mandatory. In addition to these social security measures, employers must set aside in their financial statements (or pay into supplementary pension funds) a mandatory severance payment (Trattamento di Fine Rapporto or TFR), which is deferred remuneration equal to 1/13.5 of any remuneration paid to the employees in connection with the employment relationship. Further changes in any of the above-mentioned laws or regulations or the coming into force of any new laws or regulations, including in connection with the ongoing COVID-19 pandemic, could substantially increase our operating costs or restrict our operational flexibility and therefore have a material adverse effect on our business, financial condition, results of operations and cash flows.

We rely on certification by industry standard-setting bodies and applicable law, including the Made in Italy designation.

We estimate that for the year ended December 31, 2020, a large portion of Flos' and B&B's products carried the *Made in Italy* designation. The use of the Made in Italy designation is regulated by Italian and EU law and requires that the relevant product be entirely produced in Italy or undergo its "last substantial transformation" in Italy, which has been interpreted to include assembly from semi-finished products manufactured elsewhere. We believe that the Made in Italy designation represents a mark of quality and a differentiator of high value-added products, therefore serving as a competitive advantage for our products carrying the Made in Italy designation as compared to the products of our competitors and across our other collections. If the laws regarding the use of the Made in Italy designation were to become more restrictive in a way that is adverse to our interests, our sales may suffer, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Potential liabilities and costs from litigation and other proceedings could adversely affect our business.

From time to time, we have been party as defendant or plaintiff in various legal proceedings incidental to the ordinary course of our business. The results of pending or future legal proceedings are inherently difficult to predict and there can be no assurance that we will not incur losses in connection with current or future civil, administrative or employment suits or other types of judicial, regulatory or administrative proceedings that exceed any provision we have set aside in our financial statements or that exceed any insurance coverage available. As of December 31, 2020, we had set aside provisions relating to pending legal proceedings of €2.9 million. For more information on existing proceedings, see "*Business—Common Factors*

Across Flos, B&B and Louis Poulsen—Legal Disputes and Administrative Proceedings". We may also inherit existing litigation or other legal proceedings from the companies that we acquire from time to time. For example, we have been informed that YDesign was recently served with a class action complaint from one former employee, acting as named plaintiff on behalf of the plaintiff and any other similarly aggrieved current and former hourly or non-exempt employees of YDesign during the past four years, seeking recovery under the Labor Code Private Attorneys General Act of 2004 for alleged violations by YDesign of certain provisions of the California Labor Code. These allegations include, among others, failure to pay overtime wages, full meal/rest period premiums, full minimum wage, failure to reimburse necessary business-related expenses and costs as well as unlawful business practices, on account of the foregoing, allegedly resulting in unfair advantage. The foregoing claim is at the initial stage and its outcome, as well as any potential economic liability arising therefrom, cannot be predicted as of the date of this Offering Memorandum, although we do not believe that any outcome of this claim may have a material adverse effect on our financial conditions or results of operations. YDesign believes the claim is without merit and, accordingly, currently intends to dispute these allegations.

In addition, even if a legal claim (of any nature) is without merit, does not prevail or is not pursued, any negative publicity surrounding assertions against our business or products could adversely affect our reputation. Regardless of its final outcome, litigation may also result in substantial costs and expenses we would have to incur to defend ourselves, divert the attention of our management or cause an interruption of our normal business operations, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Changes in our tax rates or exposure to additional tax liabilities could affect our future results.

We are subject to taxes in Italy, Denmark, the U.S. and numerous other foreign jurisdictions. Our future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. Any of these changes could have a material adverse effect on our profitability.

We are also regularly subject to the examination of our income tax returns and other taxes from the Italian and Danish tax authorities, the U.S. Internal Revenue Service and the governing tax authorities in other countries where we operate. From time to time, we are involved in discussions or disputes with tax authorities regarding our tax liabilities, which may lead to a revision of our tax liabilities, and therefore affect our financial position. Tax audits and investigations may generate negative publicity, which could harm our relationships with customers, suppliers and other counterparties. Additionally, if such tax audits, investigations or challenges result in decisions that are unfavorable to us, we may be required to pay settlement amounts, fees and penalties, which may adversely impact our business, results of operations, financial condition and prospects. In addition, regardless of the outcome of any such audits, investigations or challenges, such proceedings could result in substantial costs and may require that we devote substantial time and resources to defend ourselves. We routinely assess the likelihood of adverse outcomes resulting from any such proceedings to determine the adequacy of our provision for taxes. There can be no assurance that the outcomes of any current ongoing or possible future examinations will not have a material adverse effect on our business, financial condition, results of operations and cash flows.

Changes in tax laws or their interpretation or the unfavorable outcome of any future tax audits or investigations could have a material adverse effect on our operating results, business and financial position.

Tax laws are complex and subject to subjective evaluations and interpretive decisions, and we are and will continue to be periodically subject to tax audits aimed at assessing our compliance with direct and indirect taxes. We are also subject to transfer pricing laws and regulations, including those relating to the flow of funds among our subsidiaries pursuant to, for example, loan agreements. Adverse developments in laws or regulations, or any change in position by the tax authorities regarding the application, administration or interpretation of laws or regulations, 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, tax authorities may not agree with our interpretations of, or with the positions we have taken or intend to take on, tax laws applicable to our ordinary activities and any extraordinary 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. If tax authorities disagree with or object to our interpretations of tax laws, we could face lengthy tax proceedings that could result in the payment of higher taxes, interest, penalties or sanctions and could have a material adverse effect on our operating results, business and financial condition and on our ability to service or otherwise make payments on the Notes and our other indebtedness.

We may also inadvertently or for reasons beyond our control, including as a result of changes in the way tax authorities or courts interpret tax law requirements, fail to comply with certain tax laws or regulations, such as those requiring that retail sale of tangible personal property and certain services be subject to sales tax, unless an exemption applies, or that taxes be paid in certain states or regions where we do not have a physical presence as a result of sales we make in such states or regions, any of which might result in additional tax costs and potentially sanctions or other tax related liabilities.

There can be no assurance that the financial impact of any future audit or investigation or adverse tax adjustment in connection with our business would not have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows or on our ability to service or otherwise make payments on the Notes and our other indebtedness. In addition, tax audits and investigations may generate negative publicity which could harm our reputation with customers, suppliers and counterparties.

We may be subject to product liability claims if people or property are harmed by the products we sell.

Some of the products we sell or have manufactured may expose us to product liability claims and litigation or regulatory action relating to personal injury, death or environmental or property damage. Some of our agreements with our suppliers and international manufacturers may not indemnify us from product liability for a particular supplier's or international manufacturer's products, or our suppliers or international manufacturers may not have sufficient resources or insurance to satisfy their indemnity and defense obligations. Although we maintain liability insurance, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all.

Moreover, we have been in the past and might be required in the future to replace defective products as part of individual customers' requests or as part of public recalls, or otherwise intervene to assist customers if one of our products were to be defective, including after several years of use. Although we have not incurred any material losses in connection with these events, we cannot exclude that the occurrence of any such event could adversely affect the perception of our brand in our markets or otherwise result in the incurrence of material expenses.

Our operations are subject to environmental, health and safety, building permit, zoning and town planning laws and regulations, compliance with which can require significant costs and expose us to potential environmental liabilities.

We are subject to extensive and frequently changing federal, state, local and foreign environmental health and safety ("**EHS**") laws that govern our facilities, operations and products. Such regulations include those governing the manufacture, handling, transport, storage, use, emission, disposal and remediation of, and exposure to, hazardous wastes and materials, wastewater discharges, noise emissions, human health and safety, process safety and risk management. Certain environmental laws can impose joint and several liability without regard to fault on responsible parties, including current and former owners and operators of sites, related to cleaning up sites at which hazardous wastes or materials were disposed or released.

Various current and likely future environmental laws could regulate the emission of greenhouse gases, particularly carbon dioxide. We cannot predict the impact that such regulation may have, or that climate change may otherwise have, on our business.

Many of our operations require permits and controls to monitor or prevent pollution, and these permits are subject to modification, renewal and revocation by issuing authorities and are frequently issued subject to conditions requiring the implementation of improvement works at the relevant sites. Typically, our permits require ongoing compliance with certain conditions in order to maintain the applicable permit. Our permits may include requirements and conditions which have not yet been finally determined, and which could result in significant additional costs or environmental obligations for us. We have incurred, and will continue to incur, ongoing capital and operating expenditures to ensure compliance with current and future EHS laws and regulations.

In addition, our facilities are subject to building permits, zoning and town planning laws and regulations providing for civil, administrative and criminal responsibilities in case of non-compliance. Moreover, our facilities are subject to periodic inspections by regulatory authorities to assess compliance with the applicable regulations. If we were to violate the applicable regulations, we could be fined, and the competent regulator could impose a complete shutdown of the non-compliant manufacturing facility. Failure to comply with EHS laws and regulations could result in severe fines and penalties, the imposition of other civil or criminal sanctions, remediation or restoration requirements, claims for personal injury or property damages, the installation of costly pollution control equipment, or restrictions on, or the suspension of, our operating permits or activities. Although we believe that EHS laws and regulations will not have a material adverse effect on our business, there can be no assurance that future events, such as new or more stringent environmental laws or the discovery of currently unknown environmental conditions, would not require us to incur substantial additional costs to ensure our continued regulatory compliance, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our insurance coverage could prove inadequate.

We have taken out comprehensive insurance policies in relation to a number of risks associated with our business activities. However, our insurance coverage is subject to common exclusions, limits and deductibles. Given the diversity of locations and settings in which our employees provide services and the range of our activities, we are not able to foresee accurately all relevant activities and situations in order to ensure that they are fully covered by the terms of our insurance policies. As a result, we may incur losses or be subject to claims that exceed the type, scope or amount of our existing insurance coverage. At the same time, we have identified several risks that cannot be insured on economically feasible terms and for which, therefore, we have chosen not to purchase insurance cover. These risks include, for example, some risks related to disruptions or breaches of our IT infrastructure.

If one or more claims exceed, in the aggregate, a certain amount in a given calendar year, insurers may increase the insurance premiums or the terms and conditions of our insurance coverage may become less favorable than at present. Our insurance costs may also increase over time in response to any negative development in our claims history or due to material price increases in the insurance market in general. There is no guarantee that we will continue to be able to obtain sufficient insurance coverage at commercially reasonable terms or at all. In addition, recent turmoil and volatility in the global financial markets, as well as the ongoing effects of the COVID-19 outbreak, may adversely affect the insurance market. This may result in some of the insurers in our insurance portfolio failing and being unable to pay their share of claims as well as in an increase in the insurance costs. See "*—The COVID-19 pandemic has adversely affected and is expected to continue to pose risks to our business, financial condition, results of operations and cash flows, and other epidemics or outbreaks of infectious diseases may have a similar impact*". The realization of any of these risks and any of these developments could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We are exposed to credit risk related to some of our customers which may cause us to make larger allowances for doubtful trade receivables or incur write-offs related to doubtful debts.

As of December 31, 2020, we had €57.1 million in trade receivables from customers, excluding €5.7 million of bad debt provision. Although we review the credit risk related to our customers regularly, such risk may be exacerbated by events or circumstances that are inherently difficult to anticipate or control, including, among other reasons, an economic weakness in our customers' industry or the financial insolvency of their business or a general deterioration of the global economy, including as a result of the COVID-19 pandemic. While certain customers, depending on the sales channel, are required to pay us in advance, many customers pay their receivables within 60 to 120 days and there can be no assurance that we will not experience an increase in late payments. Although our €5.7 million provisions for doubtful debts as of December 31, 2020 represented 10% of our trade receivables, we cannot guarantee that this provision will be sufficient. The amount of our provision for doubtful debts is based on our assessment of historical collection trends, business and economic conditions and other collection indicators. However, there can be no assurance that bad debts associated with delinquent payment or non-payment by our customers will not increase, also due to the effects of the COVID-19 pandemic. Furthermore, in the event that these customers are unable to timely pay the amounts due to us, we may need to implement certain specific debt management plans which, while allowing our customers to continue their operations, may entail a reduction or deferral of the payments due to us. If the macroeconomic conditions in our core markets deteriorate, we cannot assure you that we will not have to increase our provisions for doubtful debts relating to trade receivables, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. See "*—The COVID-19 pandemic has adversely affected and is expected to continue to pose risks to our business, financial condition, results of operations and cash flows, and other epidemics or outbreaks of infectious diseases may have a similar impact*".

Risks Related to our Financial Information

The pro forma financial information of the Issuer relating to the year ended December 31, 2018 included herein has not been audited or otherwise reviewed by outside auditors, consultants or experts, is subject to management estimates and should not be relied upon in isolation when making an investment decision.

The Issuer is a holding company which was incorporated on September 10, 2018 for the purpose of the initial acquisition by the Issuer of each of Flos, B&B and Danish Holdco (collectively, the "**Original Acquisition**"). Therefore, the audited profit and loss statement of the Issuer for the period ended December 31, 2018 presented herein only reflects approximately one month of activity of the Group starting from the completion of the Original Acquisition on November 22, 2018.

For purposes of facilitating the comparison of our results of operations among the periods under review, the "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" section of this Offering Memorandum presents certain selected pro forma profit and loss data in respect of the Issuer for the year ended December 31, 2018 (collectively, the "**2018 Pro Forma Information**"). For additional information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Year ended December 31, 2019 compared to the year ended December 31, 2018*". The 2018 Pro Forma Information gives pro forma effect to the Original Acquisition, as well as all the transactions related thereto, including, *inter alia*, the equity contribution by the Sponsors to the Issuer, the issuance of the Existing Notes by the Issuer and the refinancing of certain previously existing indebtedness of Flos, B&B and Danish HoldCo, as if all such events had occurred on January 1, 2018.

The 2018 Pro Forma Information has been prepared by management for illustrative purposes only. Neither our independent auditors or any other independent auditors or consultants have audited, reviewed, compiled or performed any procedures with respect to the 2018 Pro Forma Information for the purpose of its inclusion herein or for any other purposes and, accordingly, neither our independent auditors or any other independent auditors have expressed an opinion or provided any form of assurance with respect thereto for the purpose of this Offering Memorandum. Moreover, the 2018 Pro Forma Information has not been prepared and shall not be construed to be in compliance with Regulation S-X under the U.S. Securities Act or the Prospectus Regulation or any other regulations or the SEC or any other regulator.

For these reasons, the 2018 Pro Forma Information should not be relied upon in isolation when making an investment decision and investors should exercise caution when comparing our results of operations between periods under review.

The consolidated financial information of YDesign presented herein, including as part of our Pro Forma Synergized EBITDA, was prepared on the basis of U.S. GAAP and is therefore not comparable with the consolidated financial information of the Issuer, which was prepared on the basis of IFRS.

On April 12, 2021, the Issuer, together with U.S. BidCo and U.S. MergerCo, entered into the Acquisition Agreement with YDesign and the Seller Representative providing for the acquisition of YDesign by the Group, as further described under "*Summary—The Transactions—The Acquisition*". This Offering Memorandum includes certain selected consolidated financial information of YDesign as of and for the years ended December 31, 2019 and 2020 and, under "*Summary—Recent Developments—Current Trading for the Three Months Ending March 31, 2021 and Current Outlook*", the twelve months ended March 31, 2021, including the net sales and the Adjusted EBITDA of YDesign, the latter of which is converted from U.S. dollars to euro and added to our Synergized EBITDA to calculate our Pro Forma Synergized EBITDA. The Adjusted EBITDA of YDesign is presented in this Offering Memorandum for illustrative purposes because, when added to our Synergized EBITDA to calculate our Pro Form Synergized EBITDA, we believe it provides a useful measure of the combined results of operations of the Issuer and YDesign as if the Acquisition had occurred on January 1, 2020 (or April 1, 2020, as applicable). However, the Adjusted EBITDA or any other financial data of YDesign are unaudited, have not been otherwise reviewed by outside auditors, consultants or experts, and have been derived from YDesign financial statements and management accounts, which are prepared on the basis of U.S. GAAP. The Adjusted EBITDA of YDesign and any other financial data of YDesign presented herein are therefore not comparable with the Adjusted EBITDA and other consolidated financial information of the Issuer presented herein, which are derived from underlying financial measures prepared in accordance with IFRS. As a result, these financial measures are inherently subject to risks and uncertainties, may differ materially from our actual results and should not be unduly relied upon when making an investment decision.

Our Synergized EBITDA and Pro Forma Synergized EBITDA presented in this Offering Memorandum are based upon management estimates and assumptions in respect of certain cost savings and revenue synergies. Such estimates and assumptions might prove to be materially incorrect as a result of factors that are beyond our control and are subject to known and unknown risks, uncertainties and other factors.

Our Synergized EBITDA and Pro Forma Synergized EBITDA presented in this Offering Memorandum have not been subject to audit or review by our auditors, consultants or experts and the adjustments and assumptions that have been used to prepare it may prove to be inaccurate or may be affected by other factors that have not been accounted for. Each of Synergized EBITDA and Pro Forma Synergized EBITDA is based on a number of assumptions and estimates, including estimates with respect to certain cost savings and revenue synergies, some of which we expect to generate following the Transactions from initiatives that have not been initiated as of the date of this Offering Memorandum (see "*—Risks Related to Our Business—We may not be able to fully realize the Group's commercial and strategic vision*"). These estimated savings and synergies are forward-looking by nature and therefore subject to a number of assumptions about the timing, execution and costs associated with implementing the underlying initiatives. Such assumptions are inherently uncertain and are subject to significant business, economic and competition factors which are difficult to predict and some of which are beyond our control, including:

- the success of our D-Studio stores openings and of the launch of our new direct e-commerce platform;

- our ability to jointly operate the Target Group's business with our business and our ability to successfully continue the coordination process in respect of our other subsidiaries following the Original Acquisition;
- our ability to re-negotiate contracts with the Target Group's agents, distributors, suppliers and other relevant parties;
- potential claims and litigation that might be initiated by our or YDesign Group's workforce or the unions to which our or YDesign Group's workforce belongs in connection with personnel rationalization initiatives; and
- other risk factors identified in this Offering Memorandum.

Although we believe the estimates and assumptions we have used to calculate Synergized EBITDA and Pro Forma Synergized EBITDA are reasonable, there can be no assurance that such assumptions will turn out to be correct. In addition, the effects of these initiatives may be offset by deterioration in the markets in which the Group operates, increases in other expenses or unrelated challenges in the business. As a result, the amount of cost savings and revenue synergies that we will actually realize, if any, and the timing of any such realization may differ significantly from (and may be significantly lower or occur later than) the ones that we currently estimate and have presented herein. In addition, the costs we incur in trying to realize these cost savings initiatives, revenue synergies and other benefits described herein may be substantially higher than our current estimates and may outweigh any benefit.

Synergized EBITDA and Pro Forma Synergized EBITDA and the underlying calculations were not prepared with a view to compliance with the published guidelines of the SEC or the guidelines published by any other regulatory or industry body regarding estimates, and therefore have not been, and cannot be, audited, reviewed or verified by any independent accounting firm. Each of Synergized EBITDA and Pro Forma Synergized EBITDA is included in this Offering Memorandum because we believe that it provides a useful indication of what the results of the Group may be upon the completion of certain cost saving and revenue synergy initiatives following the Transactions; however, this information does not constitute a measure of financial performance under IFRS or other generally accepted accounting principles, and you should not consider any of this information as an alternative to net income or any other performance measure derived in accordance with IFRS or as a measure of our results of operations or liquidity. If any of our assumptions or estimates prove to be materially incorrect, we may not generate sufficient cash flow to redeem the principal of and pay interest on the Notes.

Our order intake is based upon management estimates and it is subject to unexpected adjustments and is, therefore, an uncertain indicator of future earnings.

In the section "*Summary—Recent Developments—Current Trading for the Three Months Ending March 31, 2021 and Current Outlook*", we also present certain unaudited financial information in respect of our order intake. We cannot be certain that our order intake will generate the expected revenue or cash flows or generate them when we expect. Unforeseen events or circumstances, including, for example, termination or scaling down of contracts, increased time requirements to complete the relevant project, delays in commencing the project or other disruptions and potential litigation associated with the projects to which our order intake refers or other unforeseen events (including the effects of the COVID-19 pandemic on us or our customers) may affect projects in our order intake and could negatively impact our results of operation and financial position. Our customers may have the right under certain circumstances or subject to certain penalties or other consequences, to cancel, reduce or defer firm orders that we include in our order intake. Furthermore, it cannot be excluded that orders may be canceled or rescheduled due to fluctuations in our customers' business needs or purchasing budgets, including as a result of the COVID-19 pandemic. There can be no assurances that the revenue that we expect to receive from our order intake will be realized or, if realized, will result in profits. In addition, our definition of order intake may not necessarily be the same as that used by other companies engaged in activities similar to ours. As a result, the amount of our order intake may not be comparable to the order intake or other similar metrics reported by such other companies.

Moreover, the change of our order intake between two reference periods is not calculated on a constant currency basis and therefore reflects the impact of the relevant currency exchange rates trends, thereby affecting the comparability of this metric between such two periods.

Risks Related to the Transactions

The Acquisition is subject to a number of conditions, which, if not fulfilled or if not fulfilled in a timely manner, may result in termination of the Acquisition Agreement.

On April 12, 2021, the Issuer, together with U.S. BidCo and U.S. MergerCo, entered into the Acquisition Agreement with YDesign and the Seller Representative providing for the acquisition of YDesign by the Group (the "**Acquisition**"), as further described under "*Summary—The Transactions—The Acquisition*". As of the date of this Offering Memorandum, the respective obligations of YDesign and U.S. BidCo to consummate the Acquistion are subject to, among other things, the satisfaction at or prior to the Effective Time of the following conditions:

- the absence of any governmental order or law prohibiting the completion of the Acquistion;
- the expiration or termination of any applicable waiting period under the Antitrust Laws, such as the HSR Act;
- the accuracy of the other party's representations and warranties under the Acquistion Agreement, subject to customary materiality standards; and
- compliance, in all material respects, of the other party with its covenants under the Acquistion Agreement.

The failure to satisfy all of the required conditions, or having to make significant changes to the structure, terms or conditions of the Acquisition to obtain any required regulatory approvals, could delay the completion of the Acquisition by a significant period of time, increase the costs associated with completing the Acquisition or prevent the Acquisition from occurring. Any delay in completing the Acquisition could cause the parties to not realize some or all of the benefits that are expected to be achieved if the Acquisition is successfully completed within the expected timeframe. There can be no assurance that the conditions to completion of the Acquisition will be satisfied or waived, and if satisfied or waived, when they will be satisfied or waived. The Acquisition Agreement contains certain termination rights of YDesign and U.S. BidCo, including the right of each party to terminate if the transactions contemplated by the Acquisition Agreement have not been consummated prior to or on October 12, 2021.

The Acquisition is subject to the receipt of governmental clearance that may impose conditions that could have an adverse effect on the parties or, if not obtained, could prevent consummation of the Acquisition.

The consummation of the Acquisition is conditioned upon clearance under the HSR Act. Although each party has agreed to use their respective reasonable best efforts to obtain such clearance, there can be no assurance that such clearance will be obtained and that the other conditions to consummating the Merger will be satisfied. In addition, the governmental authorities from which such clearance is required may impose conditions on the consummation of the Acquisition or require changes to the terms of the Acquisition Agreement or other agreements to be entered into in connection with the Acquisition Agreement. Such conditions or changes and the process of obtaining regulatory clearances could have the effect of delaying or impeding consummation of the Acquisition or of imposing additional costs or limitations on the combined company following consummation of the Acquisition, any of which might have an adverse effect on the combined company's, as applicable, business, financial condition and results of operations.

Moreover, this offering may take place before all governmental clearances have been obtained and, in cases where such clearances have not been obtained, before the terms of any conditions to obtain such clearances that may be imposed are known. As a result, the parties to the Acquisition Agreement may make decisions after the completion of this offering to waive a condition or approve certain actions required to obtain necessary clearances without seeking further consent of holders of the Notes. Such actions could have an adverse effect on the combined company's business, financial condition and results of operations following the Acquisition.

Until completion of the Acquisition, the Issuer will not obtain control of the Target.

The Target is currently owned by the Pre-Closing Target Holders and the Issuer will not obtain control of the Target until completion of the Acquisition. Even though the Acquisition Agreement provides for interim operating covenants that require YDesign to obtain the consent of U.S. BidCo prior to taking certain actions, the Pre-Closing Target Holders may not operate the business of the Target during the interim period in the same way that the Issuer would. Furthermore, the Acquisition has required, and will likely continue to require, substantial time and focus from management of the Target, which could adversely affect their ability to operate the Target's business. Likewise, other employees may be uncomfortable with the Acquisition or feel otherwise affected by it, which could have an impact on work quality and retention.

In addition, prior to the Completion Date, the Target will not be subject to the covenants described in "*Description of Notes*". As such, we cannot assure you that, prior to such date, the Target will not take an action that would otherwise have been prohibited by the Indenture had such covenants been applicable, including dividends, incurrence of debt or liens, asset disposals, acquisitions or investments.

If certain conditions are not satisfied on or prior to the Escrow Longstop Date, the Issuer will be required to redeem a portion of the Notes, which means that you may not obtain the return you expect on the Notes.

The Initial Purchasers will, concurrently with the issuance of the Notes on the Issue Date, deposit €150.0 million of gross proceeds from the offering of the Notes into the Escrow Account pending the satisfaction of certain conditions, some of which are outside of our control. If the Acquisition does not occur on or prior to November 20, 2021 (the "**Escrow Longstop Date**") or if certain other events that trigger escrow termination occur, the Issuer will be required to redeem Notes with an aggregate issue price equal to €150.0 million at a redemption price equal to the issue price of such Notes plus accrued and unpaid interest from the Issue Date to but excluding such special mandatory redemption date and additional amounts, if any (with the redeemed Notes to be selected pro rata for redemption from all of the Notes) pursuant to a special mandatory redemption, as described in "*Description of Notes—Escrow of Proceeds*; *Special Mandatory Redemption*", and you may not obtain the return you expect to receive on the Notes. The escrowed funds will not be sufficient to pay the special mandatory redemption price, which is equal to the issue price of such Notes plus accrued and unpaid interest from the Issue Date to but excluding such special mandatory redemption date and additional amounts, if any. In addition, negative interest may accrue on the sums deposited in the Escrow Account. The Issuer would therefore be required to contribute to the Escrow Account an amount necessary to pay the special mandatory redemption price on the special mandatory redemption date. We cannot guarantee you that the Issuer, which is a holding company with no material operations of its own, will have sufficient funds at the required time to make these payments.

Amendments made to the Acquisition Agreement may have adverse consequences for holders of the Notes.

The Acquisition is expected to be consummated in accordance with the terms of the Acquisition Agreement. However, the Acquisition Agreement may be amended (including, without limitation, with respect to the Target Management Reinvestment) and the closing conditions may be waived at any time by the parties thereto, without the consent of holders of the Notes. Furthermore, any amendments made to the Acquisition Agreement may make the Acquisition less attractive. Any amendment made to the Acquisition Agreement may be materially adverse to holders of the Notes, which, in turn, may have an adverse effect on the return the holders expect to receive on the Notes.

The Acquisition may entitle the Target Group's customers or other business partners of the Target Group to terminate their agreements as a result of change of control provisions.

The Acquisition may constitute a change of control under certain agreements entered into by the Target or its subsidiary, in which case, following the consummation of the Acquisition, the counterparties to such agreements may be entitled to terminate their agreements with the Target or its subsidiary. Some of these counterparties may exercise their termination rights, which could have an adverse effect on the Target's financial position and results of operations.

Risks Related to Our Structure and Our Indebtedness

Our substantial leverage and debt service obligations could materially adversely affect our business, financial position and results of operations and preclude us from satisfying our obligations under the Notes and the Notes Guarantees.

We are highly leveraged and have significant debt service obligations which will increase following the issuance of the Notes. As of December 31, 2020, after giving pro forma effect to the Transactions, we would have had total third-party financial indebtedness outstanding in the amount of €921.6 million, including €470.0 million in aggregate principal amount of the Notes and €400.0 million in aggregate principal amount of Existing Notes, and excluding €100.0 million available for drawing under our Revolving Credit Facility. We anticipate that we will continue to be highly leveraged for the foreseeable future. See "*Capitalization*", "*Description of Certain Financing Arrangements*" and "*Description of Notes*".

Our high leverage could have important consequences to holders of the Notes, including, but not limited to:

- making it more difficult for us to satisfy our obligations with respect to the Notes, the Existing Notes, the Revolving Credit Facility and other debt and liabilities we may incur;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payments in respect of our indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, joint ventures, product research and development, or other general corporate purposes;
- restricting us from pursuing acquisitions or exploiting business opportunities;
- limiting our flexibility in planning for, or reacting to, changes in our business, the competitive environment and/or the industry in which we operate;
- negatively impacting credit terms with our suppliers and other creditors;
- increasing our exposure to interest rate increases to the extent that our indebtedness bears a floating rate of interest;
- placing us at a competitive disadvantage compared to our competitors that are not as highly leveraged; and
- limiting our 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.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our obligations, including under the Notes.

Our ability to service our 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 our control. If we cannot service our indebtedness and meet our other obligations and commitments, we might be required to refinance our debt or to dispose of assets to obtain funds for such purpose. We cannot assure you that refinancing or asset dispositions could be effected on a timely basis or satisfactory terms, if at all, or would be permitted by the terms of our debt instruments.

The Issuer is a holding company that has no revenue generating operations of its own and depends exclusively on cash from its operating companies, including, following the Acquisition, the Target Group.

The Issuer is a holding company that conducts no business operations of its own and has no significant assets other than the shares it holds in its subsidiaries, the intercompany receivables under the I/C Loans and, following the Completion Date, the shares it will hold in the Target through U.S. BidCo and the intercompany receivables under the U.S. BidCo Proceeds Loan (together with the I/C Loans, the "**Intercompany Loans**"). The Issuer is, and will continue to be following the Transactions, dependent upon the cash flow from its operating subsidiaries in the form of dividends, principal repayments or interest payments under the Intercompany Loans or other distributions or payments to meet its obligations, including its obligations under the Notes, as we do not intend to merge the Issuer and any of its subsidiaries.

Given the Group's international operations, the Group has a large number of operating subsidiaries and business participations, which individually contribute to our results. The amounts of dividends and distributions available to the Issuer will depend on the profitability and cash flows of its subsidiaries and the ability of each of those subsidiaries to declare dividends under applicable law or otherwise transfer funds directly or indirectly to the Issuer. The Issuer's subsidiaries may not be able to, or may not be permitted under applicable law to, make distributions or advance upstream loans to the Issuer to make payments in respect of its indebtedness, including the Notes.

Various agreements governing our debt may restrict and, in some cases may prohibit, the ability of these subsidiaries to move cash to the Issuer. Applicable tax laws may also subject such payments to further taxation in the form of withholding tax or other taxes pursuant to the laws of the jurisdiction of the relevant subsidiary and/or Italy, which is the jurisdiction of the Issuer. Applicable laws may also limit the amounts that some of our subsidiaries will be permitted to pay as dividends or distributions on their equity interests, or prevent such payments. In particular, the ability of the Issuer's subsidiaries to pay dividends to the Issuer will generally be limited to the amount of distributable reserves available to each of them and the ability to pay its debt when due. In addition, the aggregate amount of the I/C Loans is, as of the date of this Offering Memorandum, €308.3 million, and the aggregate amount of the U.S. BidCo Proceeds Loan is currently expected to be approximately $72.2 million, which amounts in aggregate are significantly lower than the aggregate principal amounts of the Notes and the Existing Notes, and we expect the Intercompany Loans to yield interest broadly in line with the interest accruing under the Notes or the Existing Fixed Rate Notes, as applicable. Accordingly, the ability of the Issuer to make payments under the Notes will largely depend on the ability of the Issuer's subsidiaries to pay dividends or make other distributions to the Issuer, which will be subject to the risks described above and could be inefficient from a tax perspective.

The subsidiaries of the Issuer that do not guarantee the Notes have no direct obligation to make payments with respect to the Notes or the Notes Guarantees. While the Indenture limits the ability of the Issuer's subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments, these limitations are subject to significant qualifications and exceptions, including exceptions for restrictions imposed by applicable law.

We may be unable to raise the financing that we require or refinance our existing debt, including the Revolving Credit Facility and the Existing Fixed Rate Notes, both of which mature prior to the Notes.

We primarily use, and have used in the past, debt issuances and shareholder funding, together with cash flows from operations, to finance our operations. Any delay in obtaining, or a failure to obtain, adequate financing (including suitable terms on which the banks or other lenders may agree to lend) may impair our ability to fund our operations, invest in our business, including maintenance capital expenditures.

Furthermore, certain of our debt matures prior to the Notes. For example, in November 2018, we entered into the Revolving Credit Facility Agreement for the provision of a €100.0 million revolving credit facility which matures on May 15, 2025. For details of the maturity profile of our indebtedness, see "*Description of Certain Financing Arrangements*". In addition, the Existing Fixed Rate Notes will mature on November 15, 2025, which is also prior to the maturity date of the Notes offered hereby. If we are unable to refinance all or a portion of our indebtedness or obtain such refinancing on terms acceptable to us, we may be forced to sell assets, or raise additional debt or equity financing in amounts that could be substantial or holders of our debt may accelerate our debt and, to the extent such debt is secured, foreclose on our assets. If the Issuer and its subsidiaries are not able to refinance any of their debt, obtain additional financing or sell assets on commercially reasonable terms or at all, the Issuer may not be able to satisfy its obligations with respect to its debt, including the Notes. Any delay in refinancing, or the inability to refinance on commercially acceptable terms, debt falling due in accordance with the maturity schedule of our indebtedness may result in an acceleration of such debt, and enforcement over our assets, including in particular any collateral granted as security in support of such debt, including our properties. If we are unable to refinance our debt when due, we may not be able to satisfy our obligations under the Notes.

We may incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes, and impair our ability to operate our businesses.

Despite our substantial leverage, we may incur substantial additional debt in the future. We may borrow up to €100.0 million under the Revolving Credit Facility, which is, or will be, secured by the same collateral as the Collateral for the Notes and the Existing Notes and may in the future be secured over certain other assets, and each of the Indenture and the Existing Indenture also permits the incurrence of additional debt thereunder. The Indenture, the Existing Indenture and the Revolving Credit Facility Agreement also permit us to incur a substantial amount of indebtedness at subsidiaries that do not guarantee the Notes and to incur indebtedness that shares in the Collateral or that benefits from security interests over assets that do not secure the Notes, and any such indebtedness could mature prior to the Notes. Although the Indenture, the Existing Indenture and the Revolving Credit Facility Agreement contain or will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and the amount of indebtedness, including secured indebtedness, that could be incurred in compliance with these restrictions is substantial. If new debt is added to the Issuer's and its subsidiaries' existing debt levels, the related risks that we now face would increase. In addition, the Indenture, the Existing Indenture and the Revolving Credit Facility Agreement do not or will not prevent us from incurring obligations that do not constitute indebtedness under those agreements. Our inability to service our debt could have a material adverse effect on our business, financial position, results of operations and our ability to fulfil our obligations under the Notes.

We are subject to restrictive covenants that limit our operating and financial flexibility.

The Indenture, the Existing Indenture and the Revolving Credit Facility Agreement contain covenants which impose significant operating and financial restrictions on us. These agreements limit our ability to, among other things:

- incur or guarantee additional indebtedness or issue certain preferred stock;
- make certain restricted payments and investments;
- transfer or sell assets;
- enter into transactions with affiliates;
- create or incur certain liens;
- make certain loans, investments or acquisitions;
- issue or sell share capital of certain of our subsidiaries;
- create or incur restrictions on the ability of our subsidiaries to pay dividends or to make other payments to us;

- take certain actions that would impair the security interests in the Collateral granted for the benefit of the holders of the Notes;
- merge, consolidate or transfer all or substantially all of our assets; and
- pay or redeem subordinated debt or repurchase equity.

All of these limitations will be subject to significant exceptions and qualifications. See "*Description of Notes—Certain Covenants*". The covenants to which we are subject could limit our ability to operate our business, to finance our future operations and capital needs and to pursue business opportunities and activities that may be in our interest.

In addition, the Revolving Credit Facility Agreement requires us to comply with certain affirmative covenants while the Revolving Credit Facility remains outstanding. Furthermore, under certain circumstances, the Revolving Credit Facility Agreement requires us to comply with a financial ratio while amounts exceeding a certain threshold remain outstanding under the Revolving Credit Facility. See "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*". Our ability to meet the financial ratio under the Revolving Credit Facility may be affected by events beyond our control, and we cannot assure you that we will meet such financial ratio. Failure to satisfy the financial ratio shall not directly or indirectly constitute, or result in a default or event of default, and shall solely result in a draw stop for any new utilizations under the Revolving Credit Facility. Subject to the foregoing, a breach of any of the covenants or restrictions under the Revolving Credit Facility Agreement could result in an event of default under the Revolving Credit Facility Agreement. Upon the occurrence of an event of default that is continuing under the Revolving Credit Facility Agreement, subject to the applicable cure period, the relevant creditors could cancel the availability of the Revolving Credit Facility and/or elect to declare all amounts outstanding under the Revolving Credit Facility, together with accrued interest, immediately due and payable. In addition, a default under the Revolving Credit Facility could lead to an event of default and acceleration under other debt instruments that contain cross default or cross acceleration provisions, including (in the case of acceleration of obligations under the Revolving Credit Facility) the Indenture and the Existing Indenture. If our creditors, including the creditors under the Revolving Credit Facility or the holders of the Existing Indenture, accelerate the payment of those amounts, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries that would be due and payable and to make payments to enable us to repay the Notes. In addition, if we are unable to repay those amounts, our creditors could proceed against any Collateral granted to them to secure repayment of those amounts.

We will require a significant amount of cash to service our debt and sustain our operations, which we may not be able to generate or raise.

Our ability to make principal or interest payments when due on our indebtedness, including the Revolving Credit Facility and our obligations under the Notes and the Existing Notes, or to refinance our debt and to fund our ongoing operations or expansion plans, will depend on our future performance and ability to generate cash, which, to a certain extent, is subject to the success of our business strategy as well as general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these "*Risk Factors*", many of which are beyond our control.

We cannot assure you that our business will generate sufficient cash flows from operations, that currently anticipated growth, cost savings or efficiencies will be realized or that future debt financing will be available to us in an amount sufficient to enable us to pay or refinance our debts when due, including the Notes, or to fund our other liquidity needs including the repayment at maturity of the then outstanding amount under the Revolving Credit Facility or the redemption of the Existing Notes at their maturity. At the maturity of each of the Revolving Credit Facility (May 15, 2025), the Existing Notes (November 15, 2025), the Notes or any other debt that we may incur, we may be required to refinance or restructure our indebtedness if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations as they fall due, or to fund our other liquidity needs. See also "*—We may be unable to raise the financing that we require or refinance our existing debt, including the Revolving Credit Facility and the Existing Fixed Rate Notes, which mature prior to the Notes*".

If our future cash flows from operations and other capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- sell assets;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

The type, timing and terms of any future financing, restructuring, asset sales or other capital raising transactions will depend on our cash needs and the prevailing conditions in the financial markets. We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In such an event, we may not have sufficient assets to repay any portion or all of our debt.

Any failure to make payments on the Notes or the Existing Notes on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. In addition, the terms of our debt, including the Notes, the Indenture, the Existing Notes, the Existing Indenture and the Revolving Credit Facility, will limit, and any future debt may limit, our ability to pursue any of these alternatives. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business, financial position and results of operations. There can be no assurances that any assets that we could be required to dispose of could be sold or that, if sold, the timing of such sale and the amount of proceeds realized from such sale would be acceptable. If we are unsuccessful in any of these efforts, we may not have sufficient cash to meet our obligations, which could cause an event of default under our debt and result in:

- our debt holders, including holders of the Existing Notes, declaring all outstanding principal and interest to be due and payable;
- the lenders under our Revolving Credit Facility Agreement being able to terminate their commitments to lend us money and foreclose against the assets securing our borrowings; and
- our being forced into bankruptcy or liquidation, which could result in you losing your investment in the Notes.

The Notes, drawings under the Revolving Credit Facility and any future variable interest rate debt we incur in the future will bear interest at floating rates that could rise significantly, thereby increasing our costs and reducing our cash flow.

After giving effect to the offering of the Notes and the Refinancing, a large portion of our debt, including the Notes, will continue to bear interest at a variable rate, and we will be exposed to the risk of fluctuations in interest rates. The Notes will bear variable rate based on the Euro Interbank Offered Rate (EURIBOR), plus an applicable margin, and the Revolving Credit Facility bears a variable rate based on the EURIBOR or the London Interbank Offered Rate (LIBOR) (and, if applicable, CIBOR, NIBOR or STIBOR), plus an applicable margin. These interest rates could rise significantly in the future, increasing our interest expense associated with these obligations, reducing cash flow available for capital expenditures and hindering our ability to make payments on the Notes. Neither the Indenture nor the Revolving Credit Facility Agreement contain a covenant requiring us to hedge all or any portion of our floating rate debt.

Although we may enter into and maintain certain hedging arrangements designed to fix a portion of these rates, there can be no assurance that hedging will continue to be available on commercially reasonable terms. Hedging itself carries certain risks, including that we may need to pay a significant amount (including costs) to terminate any hedging arrangements. To the extent interest rates were to increase significantly, our interest expense would correspondingly increase, thus reducing cash flow.

In July 2017, the U.K. Financial Conduct Authority (the "**FCA**") announced that it intended to stop compelling banks to submit rates for the calculation of LIBOR after 2021. Subsequently, on March 5, 2021, the FCA announced the dates on which panel bank submissions for all LIBOR settings will cease, after which representative LIBOR rates will cease be available, which are immediately after the December 31, 2021, publication in the case of all GBP, EUR, Swiss franc and Japanese yen settings and the 1-week and 2-month USD settings, and immediately after the June 30, 2023, publication in the case of all remaining USD settings. The cessation of LIBOR will result in the rate of interest in respect of LIBOR-linked borrowings under the Revolving Credit Facility being determined as set out in the facility documentation, which may result in such borrowings being subject to a rate of interest that is materially different from that which would have produced by LIBOR over an equivalent period. This could have an adverse impact on our ability to service our debt. We anticipate managing this difference and any resulting increased variable-rate exposure through modifications to our debt and/or derivative instruments, however future market conditions may not allow immediate implementation of desired modifications and we may incur significant associated costs. No mandatory prepayment or redemption provisions would be triggered under the Revolving Credit Facility when LIBOR ceases to be available.

Additionally, the European Money Markets Institute ("**EMMI**", the admininstrator of EUIBOR) announced in 2020 that measures needed to be undertaken by the end of 2021 to reform EURIBOR to ensure continued publication and compliance with E.U. Benchmarks Regulation, such regulation having been implemented into EU law in order to address perceived weaknesses in the admininstration of benchmarks and entering into force on June 30, 2016 (subject to certain transitional provisions). EMMI has subsequently confirmed that it is compliant with the E.U. Benchmarks Regulation. However, there can be no guarantee that subsequent changes in regulatory guidance, industry standards or market practice could result in further changes to way in which EURIBOR, LIBOR or EURIBOR replacement rates or mechanisms or other risk-free rates are drafted, implemented or interpreted. In addition, the potential elimination of any other benchmark, changes in the manner of administration of any benchmark, or actions by regulators or law enforcement agencies could result in changes to the manner in which EURIBOR or other benchmarks are determined, which could require an adjustment to the terms and conditions, or result in other consequences, in respect of any debt linked to such benchmark (including but not limited to the Notes and the Revolving Credit Facility). Any such change could have an adverse impact on our ability to service debt that bears interest at floating rates of interest.

Hedging arrangements may expose us to credit default risks and potential losses if our hedging counterparties fall into bankruptcy.

We may enter into interest hedging arrangements to hedge our exposure to fluctuations in interest rates, including under the Notes and the Revolving Credit Facility. In addition, in light of the fact that the consideration for the Acquisition will be in U.S. dollars whereas the portion of gross proceeds from the Notes which will be deposited into the Escrow Account pending closing of the Acquisition will be in euro, we may enter into hedging arrangements to hedge the associated exchange rate risk. We may also enter currency hedging arrangements in respect of our international operations and our indebtedness, including the Notes, the Existing Notes and the Revolving Credit Facility. Under any such agreements, we would be exposed to the credit risks of our counterparties. If one or more of our counterparties falls into bankruptcy, claims we have under the swap agreements or other hedging arrangements may become worthless. In addition, in the event that we refinance our debt or otherwise terminate such hedging agreements, we may be required to make termination payments, which would result in a loss.

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

The Issuer, Design Holding, the Guarantors and any other provider of Collateral will have control over the Collateral, and the sale of particular assets could reduce the pool of assets securing the Notes.

The Security Documents relating to the Notes will allow the Issuer, Design Holding, the Guarantors and any other Collateral providers, as applicable, to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from the Collateral to the extent that it relates to their assets. So long as no acceleration event has occurred and subject to certain conditions, the Issuer, Design Holding, the Guarantor and any other Collateral providers, as applicable, may, among other things, without any release or consent by the Trustee or the Security Agent, conduct ordinary course activities with respect to the Collateral, such as selling, factoring, abandoning or otherwise disposing of the Collateral and making ordinary course cash payments, including repayments of indebtedness. Any of these activities could reduce the value of the Collateral, which could reduce the amounts payable to you from the proceeds of any sale of the Collateral in the case of an enforcement of the liens on the Collateral.

The interests of the Sponsors may conflict with your interests as a holder of the Notes.

The Issuer is indirectly controlled by funds advised by Investindustrial and Carlyle. As a result, the Sponsors jointly have, directly or indirectly, the power to affect our legal and capital structure as well as the ability to elect and change our management and to approve other changes to our operations and to influence the outcome of matters requiring action by our shareholders. The Sponsors' interests in certain circumstances may conflict with your interests as noteholders, particularly if we encounter financial difficulties or are unable to pay our debts when due. For example, the Sponsors could vote to cause us to incur additional indebtedness. In addition, the Sponsors have entered into a shareholders' agreement that provides for the governance rules of, *inter alia*, Design Holding and its subsidiaries. All significant actions to be taken by the Group will require approval of the board of directors of Design Holding, which approval must include the favorable vote of at least one director designated by Carlyle and one by Investindustrial. If a matter is not approved by the board of directors due to a deadlock that is not solved through the procedure set forth in the shareholders' agreement, the relevant resolution shall not be adopted. As a result, even when your interests are aligned with the interests of one of the Sponsors, the other Sponsor may disagree and be entitled to vote against a decision that would be in your interest. Any such deadlock, if not promptly resolved, could adversely affect our business. Moreover, the Sponsors are in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with us and/or that operate in our markets or adjacent ones. The Sponsors may also pursue acquisition opportunities that are complementary to or in competition with our business and, as a result, those acquisition opportunities may not be available to us. In addition, the Sponsors may hold interests in suppliers or customers of the Issuer and its subsidiaries. The Sponsors and their respective affiliates could also have an interest in pursuing acquisitions, divestitures (including one or more divestitures of all or part of our business or sales of our shares which would result in changes to our shareholding structure), financings, dividend distributions or other transactions that, in their judgment, could enhance their equity investments, although such transactions might involve risks to you as a holder of Notes.

The Notes will be secured by the Escrow Charge on the Issue Date, and the Issuer is only required to grant the Notes Guarantees and security interests in the Collateral within certain time periods following the Issue Date or Completion Date, as applicable. Certain of the Collateral may not secure the Notes if the Acquisition does not occur and may not secure the Notes until up to 90 days from the Completion Date if the Acquisition occurs.

On the Issue Date, the Notes will only be obligations of the Issuer and will not be guaranteed by the Guarantors or any of their subsidiaries. Subject to the Agreed Security Principles, within 20 Business Days from the Issue Date, the Notes will be guaranteed on a senior basis by the Initial

Guarantors (as defined herein). Within 90 days following the Completion Date, the Notes will be guaranteed on a senior basis by the U.S. Guarantors. The Guarantors also guarantee or will guarantee, as applicable, on a senior basis the Existing Notes and the Revolving Credit Facility. However, in application of the Agreed Security Principles, subsidiaries of the Issuer that may be required in the future to provide a guarantee under the Revolving Credit Facility, might not be able to guarantee the Notes. See also "*—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Notes Guarantees and the Collateral may adversely affect the validity and enforceability of the Notes Guarantees and the Collateral*" and "*—The Notes will be structurally subordinated to the liabilities of the Issuer's subsidiaries that are not, or do not become, Guarantors or to the liabilities of Guarantors to the extent that such liabilities exceed the principal amount of Notes that can be guaranteed or secured by such Guarantors*". There can be no assurance that we will be successful in procuring such additional Notes Guarantees within the time periods specified. The Notes Guarantees will be limited as set forth in "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

As of the Issue Date, the Notes will be secured on a first-ranking basis by the Escrow Charge. In addition, subject to certain agreed security principles and certain significant limitations pursuant to applicable laws, the Notes will be secured on a first-ranking basis, within five Business Days from the Issue Date, by the Initial Collateral, within 20 Business Days from the Issue Date, by the Post Issue Date Collateral and, within 90 days from the Completion Date, by the Post Completion Date Collateral. There can be no assurance, however, that we will be successful in procuring such security interests within the time periods specified. Security interests over the Post Completion Date Collateral will not be granted at all if the Acquisition does not occur. The Collateral also secures or will secure, as applicable, on a first-ranking basis the Existing Notes and the Revolving Credit Facility and certain hedging obligations (if any). The security interests in the Collateral will be limited by applicable law or subject to certain defenses that may limit their validity and enforceability, as set forth under "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*", which limitations could be significant. See also "*—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Notes Guarantees and the Collateral may adversely affect the validity and enforceability of the Notes Guarantees and the Collateral*".

If a guarantee or a security interest granted by a Guarantor in certain jurisdictions is granted or perfected after the secured obligation arose, such guarantee or security interest may be subject to clawback provisions under applicable local insolvency laws. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

The Notes will be structurally subordinated to the existing or future liabilities of the Issuer's subsidiaries that are not, or do not become, Guarantors or to the liabilities of Guarantors to the extent that such liabilities exceed the principal amount of Notes that can be guaranteed or secured by such Guarantors.

Generally, claims of creditors, including depositors, trade creditors and preferred stockholders (if any) of non-guarantor subsidiaries of the Issuer are entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to their respective parent entity or the creditors of the Issuer and the guarantors of the Notes (including the Guarantors). Accordingly, in the event that any non-guarantor subsidiary of the Issuer becomes insolvent, is liquidated, reorganized or dissolved or is otherwise wound up other than as part of a solvent transaction:

- the creditors of the Issuer and the Guarantors, including the holders of the Notes, will have no right to proceed against the assets of such non-guarantor subsidiary; and
- creditors of such non-guarantor subsidiary, including depositors, trade creditors and preferred stockholders (if any) will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before the Issuer or any Guarantor, as a direct or

indirect shareholder (as applicable), will be entitled to receive any distributions from such subsidiary.

As such, the Notes and the Notes Guarantees will be structurally subordinated to the creditors, including depositors, trade creditors and any preferred stockholders (if any) of the non-guarantor subsidiaries of the Issuer. As of and for the year ended December 31, 2020, the subsidiaries of the Issuer which are not expected to guarantee the Notes represented 34.4% of the consolidated revenue of the Issuer, 24.8% of the consolidated Adjusted EBITDA of the Issuer and 8.3% of the consolidated total assets of the Issuer. As of December 31, 2020, the Guarantors (excluding YDesign and U.S. BidCo) had €18.5 million in aggregate principal amount of external third-party indebtedness, none of which was secured and €15.0 million of which was represented by lease obligations under IFRS 16, and all of which is expected to remain in place following the Transactions.

As of December 31, 2020, the subsidiaries of the Issuer that are not expected to guarantee the Notes had €32.9 million in aggregate principal amount of external third-party indebtedness, none of which was secured and €31.9 million of which was represented by lease obligations under IFRS 16, and all of which is expected to remain in place following the Transactions. In addition, the Indenture will, subject to certain limitations, permit the guarantors and non-guarantor subsidiaries to incur substantial additional indebtedness without such incurrence constituting a default under the Indenture, and such indebtedness may also be secured. The Indenture will not contain any limitation on the amount of other liabilities, such as deposits and trade payables in the ordinary course of business, that may be incurred by non-guarantor subsidiaries.

Moreover, the Notes Guarantees are subject to the significant limitations described under "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*" and, accordingly, the Notes will be structurally subordinated to the liabilities of the Guarantors to the extent that such liabilities exceed the principal amount of Notes that can be guaranteed or secured by such Guarantors. See "*—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Notes Guarantees and the Collateral may adversely affect the validity and enforceability of the Notes Guarantees and the Collateral*".

Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Notes Guarantees and the Collateral may adversely affect the validity and enforceability of the Notes Guarantees and the Collateral.

Flos and B&B are incorporated and organized under the laws of Italy, Louis Poulsen A/S and Danish HoldCo are incorporated and organized under the laws of Denmark, Antares is incorporated and organized under the laws of Spain and U.S. Bidco and the Target are incorporated and organized under the laws of Delaware, United States of America. Enforcement of the obligations under a Notes Guarantee against, and/or any Collateral provided by, as applicable, any such Guarantor or security provider will be subject to certain defenses available to the Issuer or the relevant guarantor or the security provider, as the case may be. These laws and defenses may include those that relate to fraudulent conveyance, financial assistance, corporate interest or benefit, capital maintenance, liquidity maintenance, voidable preferences, thin capitalization or similar laws as well as regulations or defenses affecting the rights of creditors generally, by limiting the amounts recoverable under the Notes Guarantee and Collateral, as applicable, and the amounts recoverable thereunder will be limited to the maximum amount that can be guaranteed or secured by a particular Guarantor or security provider under the applicable laws of each jurisdiction, to the extent that the granting of such Notes Guarantee or Collateral is not in the relevant guarantor's or security provider's corporate interests, or the burden of such Notes Guarantee or Collateral exceeds the benefit to the relevant guarantor or security provider, or such Notes Guarantee or Collateral would be in breach of capital maintenance, financial assistance, liquidity maintenance or thin capitalization rules or any other general statutory laws and/or would cause the directors of such subsidiary guarantor or security provider to contravene their fiduciary duties and incur civil or criminal liability. An increase in the amount of debt that benefits from such Notes Guarantee without a corresponding increase in the amount of the Notes Guarantee will dilute the value of such Notes Guarantee to its beneficiaries, including the holders of the Notes.

Accordingly, enforcement of any such Notes Guarantee against the relevant Guarantor would be subject to certain defenses available to guarantors generally or, in some cases, to limitations contained in the terms of the Notes Guarantees designed to ensure compliance with statutory requirements applicable to the relevant guarantors. As a result, a guarantor's liability under its Notes Guarantee could be materially reduced or eliminated, depending upon the law applicable to it.

It is possible that a Guarantor or creditor of a Guarantor, or the bankruptcy trustee in the case of a bankruptcy of a Guarantor, may contest the validity and enforceability of the Guarantor's Notes Guarantee on any of the above grounds and the applicable court may determine that the Notes Guarantee should be limited, surbordinated or voided. To the extent that agreed limitations on the Notes Guarantee obligation apply, the Notes would to that extent be structurally subordinated to all liabilities of the applicable Guarantor, including trade payables of such Guarantor. Future Notes Guarantees may be subject to similar limitations. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

The Notes Guarantees and the 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.

Each Notes Guarantee provides the holders of the Notes with a direct claim against the relevant Guarantor. The obligations of the Guarantors, the enforcement of each of their Notes Guarantees and the obligations of the grantors of security and the ability of the Security Agent to enforce on the Collateral will be limited under the Indenture to the maximum amount that can be guaranteed by such Guarantor or provided by the grantor of security under the applicable laws of Italy, Denmark, Spain and the United States of America, which has been determined so as to ensure that amounts payable will not result in violations of laws related to, among others, corporate interest or benefit, capitalization, capital preservation, financial assistance or transactions under value, or otherwise cause the Guarantor to be deemed insolvent under applicable law or such Notes 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 Notes Guarantee.

In particular, enforcement of any Notes Guarantee or Collateral against the relevant Guarantor or grantor would be subject to certain defenses available to guarantors generally or, in some cases, to limitations contained in the terms of the Notes Guarantees or creation of security designed to ensure compliance with statutory requirements applicable to the relevant Guarantors or grantors. These laws and defenses include those that relate to fraudulent conveyances or transfers, insolvency or bankruptcy challenges, voidable preferences, financial assistance, corporate purpose or benefit, preservation of share capital, thin capitalization, capital maintenance or similar laws and regulation or defenses affecting the rights of creditors generally. As a result, the liability of a Guarantor under its Notes Guarantee or of a grantor of security could be materially reduced or eliminated, depending on the amounts of its other obligations and the law applicable to it.

Italian law limitations

As a result of the applicable limitations under Italian law with respect to, amongst others, financial assistance and corporate benefit, notwithstanding anything to the contrary provided in the Existing Indenture, the Indenture, the Revolving Credit Facility Agreement and the

Intercreditor Agreement, each Notes Guarantee and security interest granted by each of Flos and B&B (the "**Italian Guarantors**") will be limited as follows:

(i) the Notes Guarantee and security interests granted by each of the Italian Guarantors will only guarantee and secure the Issuer's obligations under the relevant Tranche of the Notes and shall not exceed at any time an amount equal to the aggregate principal amount of any intercompany loans (including (i) with respect to Flos, the Flos I/C Loan, and (ii) with respect to B&B, the B&BI/C Loan advanced from time to time to the relevant Italian Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359 of the Italian Civil Code) by the Issuer (whether directly or indirectly) on or following 22 November 2018, and outstanding at the time of the enforcement of the relevant Notes Guarantee, in each case net of any proceeds already paid pursuant to the enforcement of its guarantee under the Revolving Credit Facility, the Existing Indenture, the Intercreditor Agreement and/or received upon the enforcement of any security interests granted by such Italian Guarantor; provided further that no Italian Guarantor shall be liable as a Guarantor in respect of any amounts in excess of 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 relevant Notes Guarantee;

(ii) the maximum amount guaranteed and/or secured by Flos, also in accordance with article 1938 of the Italian Civil Code (where applicable), will not exceed the lower of (i) 120% of the outstanding principal amount of the Notes, and (ii) the original principal amount of the Tranche B (as defined in the "*Use of Proceeds*") under the Notes, reduced, from time to time, by an amount equal to any repayment, prepayment or redemption of the principal amount of the Notes multiplied by the ratio of (I) the original principal amount of the Tranche B (as defined in the "*Use of Proceeds*") under the Notes to (II) the original principal amount of the Notes;

(iii) the maximum amount guaranteed and/or secured by B&B, also in accordance with article 1938 of the Italian Civil Code (where applicable), will not exceed the lower of (i) 120% of the outstanding principal amount of the Notes, and (ii) the original principal amount of the Tranche C (as defined in the "*Use of Proceeds*") under the Notes, reduced, from time to time, by an amount equal to any repayment, prepayment or redemption of the principal amount of the Notes multiplied by the ratio of (I) the original principal amount of the Tranche C (as defined in the "*Use of Proceeds*") under the Notes to (II) the original principal amount of the Notes;

(iv) the aggregate amount of interest in respect of the Notes guaranteed and/or secured by an Italian Guarantor will be at any time equal to the interest then outstanding in respect of a principal amount of the Notes equal to the principal amount of the Notes guaranteed and/or secured by the relevant Italian Guarantor at that time;

(v) notwithstanding any provision to the contrary in the Indenture, in order to comply with the mandatory provisions of Italian law in relation to (i) maximum interest rates (including the Italian Usury Law and article 1815 of the Italian Civil Code) and (ii) capitalization of interests (including article 1283 of the Italian Civil Code and article 120 of the Italian Legislative Decree No. 385 of 1 September 1993), the obligations of any of the Italian Guarantors under its Notes Guarantee shall not include and shall not extend to (A) any interest qualifying as usurious pursuant the Italian Usury Law and (B) any interest on overdue amounts compounded in violation of the provisions set forth by article 1283 of the Italian Civil Code and/or article 120 of the Italian Legislative Decree No. 385 of 1 September 1993, respectively; and

(vi) any guarantee, indemnity, obligations and liability granted or assumed pursuant to the relevant Notes Guarantee and/or security interest by:

   a. Flos does not (and will not) include and does not (and will not) extend, directly or indirectly, to any amounts and/or payment obligations other than the amounts and/or payment obligations under Tranche B (each as defined in the "*Use of Proceeds*") under the Notes; and

b. B&B does not (and will not) include and does not (and will not) extend, directly or indirectly, to any amounts and/or payment obligations other than the amounts and/or payment obligations under Tranche C (as defined in the "*Use of Proceeds*") under the Notes.

The abovementioned "virtual tranching" structure in respect of the Notes, which is aimed at identifying the relevant portion of the Notes' proceeds which does not constitute "acquisition debt" and/or refinancing indebtedness in relation to "acquisition debt" in respect of, respectively, Flos and B&B and, therefore, does not fall within the prohibition under Italian financial assistance rules (namely, Article 2358 or 2474, as applicable, of the Italian Civil Code), is untested in Italian courts and it might be deemed not sufficient to clearly distinguish and separate the non-acquisition portion of the Notes' proceeds from any portion of the Notes' proceeds to be utilized to refinance the portion of the Existing Floating Rate Notes that has been utilized to support the acquisition or subscription by the Issuer of the share capital of, respectively, Flos and B&B. Should the Notes Guarantees and/or the security interests granted by Flos and/or B&B, respectively, be deemed by a court or public authority to be contrary to any provisions regulating financial assistance, including Articles 2358 and 2474, as applicable, of the Italian Civil Code, such Notes Guarantees and/or security interests, could be declared null and void and the Notes documents will provide that, if and to the extent such Notes Guarantee would result in a breach of any provisions regulating financial assistance, including Articles 2358 and 2474, as applicable, of the Italian Civil Code, applicable to the relevant Italian Guarantor, such Italian Guarantor will be deemed to have no liability thereunder and the Notes Guarantee shall not be in force and effect.

In addition, the obligations of any Italian Guarantor and/or Italian security provider (other than Design Holding, Flos and B&B) that becomes a Guarantor and/or a security provider will be subject to the Agreed Security Principles and will be subject to the additional limitations set forth in the relevant supplemental indenture to the Indenture and/or in the applicable security documents, in order for the applicable Italian Guarantor and/or Italian security provider to comply with the above corporate law requirements on, among others, corporate benefit and financial assistance.

In any case, the maximum amount that an Italian Guarantor and/or Italian security provider may be required to pay in respect of its obligations as Guarantor under the Indenture and/or security grantor under the relevant security documents upon enforcement of the security interests granted by such Italian Guarantor will ratably concur and not cumulate with the corresponding amounts due by such Italian Guarantor and/or Italian security provider to any guaranteed and/or secured creditor pursuant to the Revolving Credit Facility Agreement, the Existing Indenture and/or the Intercreditor Agreement (including any guaranteed and/or secured creditors with respect to any further *pari passu* indebtedness contemplated under the Intercreditor Agreement) and/or any security documents, and *vice versa*. For the avoidance of doubt, by virtue of the abovementioned limitations applicable to the guarantees and the security interests granted by an Italian Guarantor, the obligations of each Italian Guarantor as guarantor and/or security provider under the Notes, the Indenture, the Existing Notes, the Existing Indenture, the Revolving Credit Facility Agreement, the Intercreditor Agreement and/or any agreement regulating future *pari passu* indebtedness contemplated under the Intercreditor Agreement, the security documents relating to the Collateral and any other transaction documents related thereto shall not be deemed to be cumulative and shall be considered without duplication, and the transaction documents will provide that the aggregate amount of the proceeds deriving from any enforcement of any such guarantee and/or security obligations of the relevant Italian Guarantor shall not exceed on an aggregate basis the limit of the relevant Italian Guarantor's credit support as described above.

The proceeds of the enforcement of said guarantees and/or security interests will be distributed amongst the guaranteed and/or secured creditors (including, without, limitation, the holders of the Notes) in accordance with the provisions of the Intercreditor Agreement. Accordingly, the holders of the Notes will be able to recover limited amounts under the relevant Notes Guarantees and security granted by such Italian Guarantors. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

In addition to the above, under article 1938 of the Italian Civil Code, if a corporate guarantee is issued by a Guarantor incorporated under the laws of Italy 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 guarantee deed or by reference to a separate document, such as the Indenture). It has been held that such determination must be proportionate to the relevant Guarantor's assets. If such determination is deemed disproportionate to the assets of each of the Guarantors, there is a risk that the guarantee could be declared void.

Danish law limitations

The Danish Companies Act (*selskabsloven*) contains restrictions on upstream guarantees and security by Danish limited companies. Generally, Danish companies and their Danish and non-Danish subsidiaries are prohibited from granting loans to and/or issuing guarantees or providing security in respect of obligations of, among others, their direct and indirect parent companies. However, Danish companies may grant loans to and/or issue guarantees or provide security in respect of obligations of parent companies covered by Danish Executive Order No. 85 of January 30, 2020, which applies to any entity in the corporate form of (a) a public limited company (*aktieselskab*), (b) a limited partnership company (*partnerselskab*), (c) a private limited liability company (*anpartsselskab*) or (d) a company with an equivalent corporate form, incorporated in a jurisdiction which is a member of the EU (such as the Issuer, which is a joint stock company incorporated in Italy) or European Economic Area or Switzerland, Australia, Canada, Chile, United Kingdom of Great Britain and Northern Ireland, Israel, Japan, South Korea, New Zealand, Singapore, Taiwan or the U.S. In addition, a Danish company is generally prohibited from granting loans and/or issue guarantees and/or provide security in connection with the financing (or refinancing) of the acquisition by any person or entity of shares in such Danish company or shares in its (direct and indirect) parent companies, and any such loan, guarantee or security will be invalid and unenforceable.

Further, Danish law requires guarantors or security providers to obtain an adequate corporate benefit from the issuance of a guarantee or granting of security. The directors or, as the case may be, the managers of the company are obliged to act in accordance with the company's individual interests, including by, among other things, taking into consideration the company's financial position, the benefits the company will obtain through and the risks related to the granting of guarantees and security, assessment of the Issuer and the other Guarantors and security providers, and by ensuring that the relevant guarantee or security arrangement is on market terms. If such benefit is not obtained, the directors or, as the case may be, the managers of a Danish guarantor or security provider may be subject to civil liability and the guarantee and/or security may be deemed invalid. It is not clear under Danish case law under which circumstances corporate benefit accrues to a subsidiary guaranteeing and securing debt of a direct or indirect parent company or other group company.

Given the aforementioned limitations under Danish law with respect to Danish financial assistance and corporate benefit, and with a view to minimizing the risk of being challenged or set aside, the Notes Guarantees and security to be granted by a Danish Guarantor or security provider: (i) (other than Danish HoldCo) will not apply to any part of the Notes being used to refinance the portion of the Existing Notes that was used to refinance the DKK 750 million (€100.5 million) senior creditor facilities that were incurred by Luminous Designs Denmark ApS to finance the acquisition of LP in August 2018 (the "**LP Senior Facilities**") (as further described below), in order for such Notes Guarantees and security to comply with Danish statutory provisions on unlawful financial assistance; and (ii) shall in respect of upstream (and, if applicable, cross-stream) guarantees not exceed, among other things, a maximum equivalent to the greater of the equity *(egenkapital*) of the relevant Danish Guarantor or security provider (calculated in accordance with the approved accounting principles) (i) at the time of the granting of the Notes Guarantees or Collateral, as applicable or (ii) at the time payment is requested pursuant to the Notes Guarantees or Collateral is enforces, as applicable, in order for such Notes Guarantees and security to comply with the above corporate benefit concerns.

The aforementioned limitations and respective compliance with Danish financial assistance and corporate benefit rules are untested in Danish courts. Accordingly, if a Notes Guarantee or security provided by a Danish company were to be challenged before a Danish court, we cannot assure that such court will deem the Notes Guarantee or security valid and enforceable. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations".*

To the extent that any such debt constituting unlawful financial assistance cannot be separated from other debt, such other debt may be deemed unlawful financial assistance debt and any loans, guarantees or security granted by Danish companies for such other debt may then also be invalid or unenforceable. The LP Senior Facilities were incurred by Luminous Designs Denmark ApS to finance the acquisition of LP in August 2018. On April 6, 2021, Luminous Designs Denmark ApS, as the non-surviving entity, was merged with and into Danish HoldCo, as the surviving entity. As a result of the merger, Luminous Designs Denmark ApS was dissolved and Danish HoldCo, by operation of the Danish law principle of universal succession, assumed all of the assets and liabilities of Luminous Designs Denmark ApS. The LP Senior Facilities were refinanced in 2018 with a portion of the Existing Notes, part of which will be refinanced with the proceeds of the Offering. LP and its subsidiaries will not be able to guarantee or provide security for the part of the Notes that will be used to refinance the portion of the Existing Notes that was used to refinance the LP Senior Facilities in 2018. Given that the Danish Companies Act does not include any detailed provision on the segregation of acquisition debt from other debt for the purpose of determining whether financial assistance has in fact been provided, the beneficiary, upon enforcement, may be required to evidence that enforcement proceeds are in fact applied in accordance with the Danish restrictions on financial assistance. Furthermore, according to the Danish Business Authority, the prohibition on financial assistance also extends to non-Danish subsidiaries of Danish companies. If loans, guarantees or security are granted in violation of the prohibitions above, such loans, guarantees or security will be invalid and unenforceable and must be repaid with statutory interests. The directors may be subject to liability for losses suffered in this regard.

Spanish law limitations

As a result of the applicable limitations under Spanish law with respect to, amongst others, financial assistance and corporate benefit, notwithstanding anything to the contrary provided in the Indenture and the Intercreditor Agreement, each Notes Guarantee, Collateral and security interest granted by Antares or any Spanish company will not guarantee those obligations or liabilities which, if guaranteed, will constitute an infringement of Spanish financial assistance laws in accordance with Articles 143.2 and 150 of the Spanish Companies Act. In particular, Antares will not guarantee the acquisition of, or the subscription for the shares or quota shares of, its parent company (*sociedad dominante*); however, it will be allowed (provided it continues being a public limited liability company (*sociedad anónima*)) to guarantee the acquisition of, or the subscription for the shares or quota shares of any other company (different from its parent company (*sociedad dominante*)) belonging to its group and any other not of its group. For the purposes of Antares as a Guarantor of the Notes, the Indenture will include the above-mentioned limitations regarding financial assistance.

In addition, under Spanish law, any guarantee, pledge or mortgage must guarantee or secure another obligation to which it is ancillary, which must be clearly identified in the relevant guarantee or security agreement. Therefore, guarantee or security interests follow the underlying obligation in such a way that nullity of the underlying obligation entails nullity of the guarantee or security and termination of the underlying obligation entails termination of the guarantee or security. In the event that the security providers incorporated in Spain are able to prove that there are no existing and valid guaranteed or secured obligations, Spanish courts may consider that the security providers' obligations under the relevant guarantees or in respect of the relevant security provided are not enforceable.

Additionally, pursuant to Spanish applicable legislation:

- The concept of a first demand guarantee is not specifically regulated in the Spanish Civil Code (Código Civil) but it has been treated under Spanish case law as an autonomous guarantee detached from the underlying agreement whose obligations are being guaranteed. Therefore, Spanish case law acknowledges the validity of the provision pursuant to which the guarantor has agreed not to call on exceptions different from those arising from the guarantee. Nevertheless, Spanish case law has also admitted the possibility that, with certain limitations, the guarantor invokes against the beneficiary of the guarantee the exception of fraud, bad faith or abuse of right in the events where the beneficiary enforces the guarantee in a fraudulent manner or with bad faith.

- The laws of Spain may limit the ability of any Spanish guarantor to guarantee debt of a related company or grant security on account of a related company's debts. These limitations arise from the interpretations of various provisions and from certain general principles of corporate law which include rules governing capital maintenance, under which, among others, the risks associated with a guarantee or the granting of security to guarantee or secure a parent or sister company's debt need to be reasonable and economically and operationally justified from the guarantor's or grantor's perspective. If these limitations were not observed, the guarantees or security granted by any Spanish guarantor could be subject to legal challenge.

See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

Other limitations pursuant to bankruptcy or insolvency laws

Although laws differ among various jurisdictions, in general, under bankruptcy or insolvency law and other laws, a court could (i) avoid or invalidate all or a portion of a Guarantor's obligations under its Notes Guarantee, (ii) direct that the holders of the Notes return any amounts paid under a Notes Guarantee to the relevant Guarantor or to a fund for the benefit of that Guarantor's creditors or (iii) take other action that is detrimental to you, typically if the court found that:

- the relevant Notes Guarantee was incurred with actual intent to give preference to one creditor over another, hinder, delay or defraud creditors or shareholders of the relevant Guarantor or, in certain jurisdictions, when the granting of the relevant Notes Guarantee has the effect of giving a creditor a preference or the creditor was aware that the relevant Guarantor was insolvent when the relevant Notes Guarantee was granted;

- the relevant Guarantor did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Notes Guarantee or the relevant Guarantor was: (i) insolvent or rendered insolvent because of the relevant Notes Guarantee; (ii) undercapitalized or became undercapitalized because of the relevant Notes Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;

- the relevant Notes Guarantee was held to exceed the corporate objects of the relevant Guarantor or not to be in the best interests or for the corporate benefit of the relevant Guarantor; or

- the amount paid or payable under the relevant Notes Guarantee was in excess of the maximum amount permitted under applicable law.

It is possible that a Guarantor or a grantor of security, or a creditor of a Guarantor or a grantor of security, or the bankruptcy trustee in the case of a bankruptcy of a Guarantor or a grantor of security, may contest the validity and enforceability of the Guarantor's Notes Guarantee or grantor's creation of security on any of the aforementioned grounds and that the applicable court may determine that the Notes Guarantee or the relevant security interest should be limited or voided. To the extent such limitations on the Notes Guarantee or security obligation apply, the Notes would be effectively subordinated to all liabilities of the applicable Guarantor or grantor, including trade payables of such Guarantor or grantor to the extent of such limitations. Future pledges or guarantees may be subject to similar limitations.

Additionally, the grant of Collateral to secure the Notes may be voidable by the grantor or by an insolvency trustee, liquidator, receiver or administrator or by other creditors, or may otherwise be set aside by a court, or be unenforceable if certain events or circumstances exist or occur, including, among others, if the grantor is deemed to be insolvent at the time of the grant, or if the grant permits the secured parties to receive a greater recovery than if the grant had not been given and an insolvency proceeding in respect of the grantor is commenced within a legally specified "clawback" period following the grant. To the extent that the grant of any security interest is voided, holders of the Notes would lose the benefit of the relevant security interest.

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, even if such claims are secured claims. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

As a general rule under Danish law, the insolvent company or any creditor of such company may present a petition for bankruptcy. A bankruptcy requires the bankruptcy court to be satisfied that the debtor is insolvent and that the insolvency is not temporary based on an assessment of the debtor's liquidity status. A bankruptcy petition by a creditor is barred if the creditor is adequately protected in the vent of the debtor's insolvency by means of good and valid security. The Danish bankruptcy scheme is based on the fundamental principle of *pari passu* satisfaction of the debtor's creditors. The principle is, however, to some extent modified by the rules governing priority of debts in bankruptcy. The ranking of creditors is described in the Danish Bankruptcy Act (*konkursloven*) and it indicates the order in which claims against the estate or the debtor are settled. After the fulfilment, if any, of these priority-ranking claims, any exceeds proceeds will be distributed among all ordinary unsecured creditors. Interest accrued on ordinary claims will rank as ordinary claims up the declaration of bankruptcy, after which date the accrued interest will rank as a deferred claim. Deferred claims further include, among others, subordinated loans and penalties. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

With respect to Spanish Law, the Spanish Insolvency Act (as defined herein) imposes a moratorium on the enforcement of secured creditor's rights (*in rem* security) with security over rights or assets which are considered as necessary for the continuation of the debtor's professional or business activities in the event of insolvency, with certain exceptions (such as financial collateral, as defined under Royal Decree Law 5/2005), of March 11, as amended from time to time). The moratorium would take effect following the declaration of insolvency until the earlier of (i) the elapsing of one year from the declaration of the insolvency without the liquidation phase being initiated or (ii) approval of a creditors' composition agreement (*convenio de acreedores*). Enforcement will be stayed even if at the time of the declaration of insolvency the notices announcing the public auction have been published. The stay will only be lifted when the court hearing the insolvency proceedings determines that the asset is not necessary for the continuance of the debtor's professional or business activities. When it comes to determining which assets of the debtor are necessary for the continuance of its professional or business activities, courts have generally embraced a broad interpretation and will likely include most of the debtor's assets. Nevertheless, shares/quota shares held by an insolvent debtor in another company whose only activity is the holding of a material asset and servicing the financing provided in connection with the acquisition of that asset, are not considered to be an asset necessary for the debtor's business activity as long as the foreclosure of the relevant security interest that has been granted over such shares/quota shares does not bring about an early termination or amendment of the contractual relations permitting the economic exploitation of the relevant asset. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

Creditors under the Revolving Credit Facility and counterparties to certain hedging obligations and future indebtedness permitted to be incurred under the terms of the Indenture and the Intercreditor Agreement ranking pari passu with the Revolving Credit Facility are entitled to be repaid with proceeds from the enforcement of the Collateral in priority to the Notes.

The Intercreditor Agreement includes provisions governing the sharing of proceeds from enforcement of the Collateral. Such enforcement proceeds are required to be turned over to the Security Agent after certain events, including the acceleration of the Notes. The Security Agent is required to apply turned over amounts and other recoveries by the Security Agent from enforcement actions towards discharging certain super senior obligations (including, among others, those under the Revolving Credit Facility, certain hedging obligations and future indebtedness that may be secured on a super senior basis (the "**Super Senior Liabilities**")) in priority to applying any such amounts towards discharging the Notes and the Existing Notes.

Holders of the Notes may not control certain decisions regarding the Collateral.

The obligations under the Notes will be secured on a first ranking basis with security interests over the Collateral that also secure, or will secure, our obligations under the Existing Notes, Super Senior Liabilities and to certain hedging counterparties and certain other permitted future indebtedness. The Indenture also permits the Collateral to secure additional indebtedness in accordance with the terms thereof and the Intercreditor Agreement. The Intercreditor Agreement provides that the Security Agent will only enforce the Collateral as provided for in the Intercreditor Agreement, and the Indenture regulates the ability of the Trustee or the holders of the Notes to instruct the Security Agent to take enforcement action.

The Security Agent is not required to take enforcement action unless instructed to do so in accordance with the provisions described in the following paragraphs.

If either (i) the holders of the aggregate principal amount of the then outstanding Notes or Existing Notes, the senior lenders, creditors in respect of indebtedness ranking *pari passu* with the senior creditors and creditors in respect of certain non-priority hedging obligations (the "**Senior Secured Credit Participations**") which aggregate more than 50% of the total Senior Secured Credit Participations at that time (the "**Majority Senior Secured Creditors**") or (ii) the creditors holding more than 50% of the total participations in Super Senior Liabilities at that time (the "**Majority Super Senior Creditors**") wish to issue enforcement instructions they shall deliver those instructions to the Security Agent and the other agents, trustees and hedge counterparties.

The Security Agent is required to act in accordance with instructions received from the Majority Senior Secured Creditors and/or the Majority Super Senior Creditors, in each case subject to the consultation period of 15 days as set out in the Intercreditor Agreement; however, (i) if and to the extent the obligations under the Super Senior Liabilities have not been fully discharged in cash within six months of the end of the consultation period or (ii) the Security Agent has not commenced any enforcement action within three months of the end of the consultation period or (iii) an insolvency event has occurred with respect to a debtor or Holdco (as defined in the Intercreditor Agreement) and the Security Agent has not commenced any enforcement action at that time with respect to such debtor or Holdco, then the Security Agent will act in accordance with the enforcement instructions provided by the Majority Super Senior Creditors. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*". No consultation shall be required (and the Majority Senior Secured Creditors or the Majority Super Senior Creditors shall be entitled to give any instructions to the Security Agent to take any enforcement action prior to the end of the consultation period, where: (a) any of the Collateral has become enforceable as a result of an insolvency event affecting a debtor or Holdco; or (b) if the Majority

Senior Secured Creditors or the Majority Super Senior Creditors determine in good faith (and notifies each other representative agent of the other creditors party to the Intercreditor Agreement) that any delay caused by such consultation could reasonably be expected to reduce the amount likely to be realized to a level such that (following application thereof in accordance with the Intercreditor Agreement) the Super Senior Liabilities would not be discharged in full or to have a material adverse effect on the ability to effect an enforcement or a distressed disposal and, in each case any instructions will be limited to those necessary to protect or preserve the interests of the Senior Secured Creditors or the Majority Super Senior Creditors on behalf of which the relevant instructing group is acting and the Security Agent shall act in accordance with the instructions first received.

In the event that conflicting instructions (and, for these purposes, failure to give instructions is deemed to be a conflicting instruction) are received by the end of the consultation period (and have not been resolved), the Security Agent shall take any enforcement action in accordance with the instructions provided by the Majority Senior Secured Creditors, with such instructions to comply in each case with the security enforcement principles contained in the Intercreditor Agreement and the terms of all instructions received from the Majority Super Senior Creditors during the consultation period shall be deemed revoked.

The Security Agent may also refrain from acting in accordance with any instructions until it has been indemnified and/or secured (including by way of pre-funding) that it may in its discretion require by a member of the Senior Secured Group for any cost, loss or liability which it may incur in complying with those instructions.

To the extent we incur additional indebtedness that is secured on a *pari passu* basis with the Notes, the voting interest of holders of Notes in an instructing group will be diluted commensurate with the amount of indebtedness we incur.

The creditors of any Super Senior Liabilities or the Existing Notes may have interests that are different from the interests of holders of the Notes and they may, subject to the terms of the Intercreditor Agreement, elect to pursue their remedies under the Security Documents at a time when it would be disadvantageous for the holders of the Notes to do so. In addition, if the Security Agent sells Collateral consisting of the shares of any of the Issuer's subsidiaries as a result of an enforcement action in accordance with the Intercreditor Agreement, claims under the Notes Guarantee and the liens over any other assets of such entities securing the Notes and the Notes Guarantee may be released. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of Notes—Security—Release of Liens*".

Delays in enforcement could decrease or eliminate recovery values. In addition, the holders of the Notes will not have any independent power to enforce, or have recourse to, any of the Security Documents or to exercise any rights or powers arising under the Security Documents, except through the Security Agent as provided in the Intercreditor Agreement. By accepting the Notes, you will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Notes will have limited remedies and recourse against the Issuer and the guarantors of the Notes in the event of a default. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

The Notes will be secured only to the extent of the value of the Collateral that has been granted as security for the Notes and other secured indebtedness may be secured by assets that do not secure the Notes.

The Notes will be secured only to the extent of the value of the Collateral. See "*Description of Notes—Security*". Not all of our assets will secure the Notes, and the Indenture allows the Issuer and its restricted subsidiaries to secure certain future indebtedness permitted to be incurred with certain property and assets that do not secure the Notes. If an event of default occurs and the obligations under the Notes are accelerated, the Notes and the Notes Guarantees thereof will not benefit from the assets securing such secured debt and will rank equally with the holders of other unsecured indebtedness of the Issuer and its restricted subsidiaries with respect to any property or assets excluded from the Collateral securing the Notes. The claims of secured creditors that are secured by assets that do not also secure the Notes will have priority with respect to such assets over the claims of holders of the Notes. As such, the claims of the holders of the Notes will be effectively subordinated to the rights of such secured creditors to the extent of the value of the assets securing such indebtedness. As of December 31, 2020, the Issuer and its subsidiaries had no indebtedness secured by assets that will not secure the Notes.

While the Indenture creates certain obligations to provide additional Notes Guarantees and grant additional security over assets, or a particular class of assets, whether as a result of granting liens in favor of other indebtedness or the acquisition or creation of future assets or subsidiaries or otherwise, such obligations are subject to certain exceptions and qualifications pursuant to the Agreed Security Principles. The Agreed Security Principles set forth in the Indenture set out a number of limitations on the rights of the holders of the Notes to be granted security or Notes Guarantee in certain circumstances. The operation of such Agreed Security Principles may result in, among other things, the amount recoverable under any Collateral provided being limited or security not being granted over a particular type or class of assets. Accordingly, such Agreed Security Principles may affect the value of the security or Notes Guarantee provided by the Issuer and any Guarantor.

In particular, even though the Notes, the Existing Notes and the Revolving Credit Facility are expected to share the same Collateral and Guarantees, this may not always continue to be the case and circumstances may arise in the future in which lenders under the Revolving Credit Facility may be granted the benefit of additional security or guarantees which are not otherwise permitted to be granted in favor of holders of the Notes due to the application of the Agreed Security Principles and, ultimately, Italian, Danish and Spanish financial assistance and corporate benefit rules. Accordingly, in such circumstances holders of the Notes would have no direct claim for payment against any such additional guarantor nor any rights as a secured party with respect to any such additional collateral.

The principal amount of the receivables forming part of the Collateral may be reduced as a result of prepayments of such loan prior to the maturity date of the Notes.

The Issuer has entered into, or will enter into and/or amend, as applicable, the I/C Loans and the U.S. BidCo Proceeds Loan, the intercompany receivables from which will constitute part of the Collateral. Repayments of the I/C Loans and/or the U.S. BidCo Proceeds Loan prior to the maturity date of the Notes would result in a reduction in the liability owed by the relevant subsidiaries to the Issuer. The I/C Loans documentation (but not the U.S. BidCo Proceeds Loan documentation), however, will prohibit the repayment, reduction, extinguishment or equitization of such I/C Loans, subject to certain exceptions. See "*Description of Certain Financing Agreements—Existing Proceeds Loans*". Any reduction in the principal amount of the I/C Loans and/or the U.S. BidCo Proceeds Loan would reduce the value of such receivable, the Notes Guarantees and the Collateral.

The value of the Collateral securing the Notes may not be sufficient to satisfy our obligations under the Notes and such collateral may be reduced or diluted under certain circumstances.

If we default on the Notes, holders of the Notes will be secured only to the extent of the value of the assets underlying the security interests granted in favor of holders of the Notes. In the event of an enforcement of the security interests in respect of the Collateral, the proceeds from the sale of the assets underlying the Collateral may not be sufficient to satisfy the Issuer's obligations with respect to the Notes. The Collateral provided as security for the Notes, subject to the Agreed Security Principles, will be limited to liens granted over certain assets including the shares of the Issuer and the relevant subsidiaries, certain intercompany structural loans within the Group and certain material bank accounts of the Issuer. See "*Description of Notes—Security*". Trade receivables, inventories, intellectual property rights, real property or other assets of the Issuer and the Restricted Subsidiaries will not constitute part of the Collateral. No appraisal of the value of the Collateral has been made in connection with the offering of the Notes. The value of the assets underlying the pledges and the amount to be received upon a sale of the Collateral will also depend on many factors, including, among other things, whether or not the business is sold as a going concern, regulatory restrictions that could affect such sale, the ability to sell the assets in an orderly sale and the condition of the economies in which operations are located and the availability of buyers.

The Collateral that is pledged or assigned for the benefit of the holders of the Notes may provide for only limited repayment of the Notes, in part because most of the Collateral may not be liquid and its value to other parties may be less than its value to us. Likewise, we cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in the liquidation thereof. In the event of foreclosure, the transfer of our business operations may be prohibited or only permitted to a limited group of investors eligible to hold such assets, thereby decreasing the pool of potential buyers. Furthermore, entry into the Security Documents, enforcement of the Collateral and any transfer of our operations may require, in certain jurisdictions, governmental or other regulatory consents, approvals or filings or might otherwise be challenged. Such consents, approvals or filings may take time to obtain or may not be obtained at all. As a result, enforcement may be delayed, a temporary shutdown of operations may occur and the value of the Collateral may be significantly decreased. Most of our assets will not secure the Notes and it is possible that the value of the Collateral will not be sufficient to cover the amount of indebtedness secured by such Collateral. With respect to any shares of our subsidiaries pledged to secure the Notes, such shares may also have limited value in the event of bankruptcy, insolvency or other similar proceedings in relation to the entity's shares that have been pledged because all of the obligations of the entity whose shares have been pledged must first be satisfied, leaving little or no remaining assets in such entity.

As a result, the creditors secured by a pledge of the shares of these entities may not recover anything of value in the case of an enforcement sale. In addition, the value of this Collateral may decline over time. If the proceeds of the Collateral are not sufficient to repay all amounts due on the Notes, the holders of the Notes (to the extent not repaid from the proceeds of the sale of the Collateral) would have only a senior unsecured, unsubordinated claim against the Issuer's and any Guarantor's remaining assets.

The Indenture also permits the granting of certain liens on the Collateral other than those in favor of the holders of the Notes. To the extent that holders of other secured indebtedness or third parties are secured by liens, including statutory liens, whether or not permitted by the Indenture or the Security Documents, such holders or third parties may have rights and remedies with respect to such assets which, if exercised, could reduce the proceeds available to satisfy our obligations under the Notes. Moreover, if we issue additional Notes under the Indenture, holders of such Notes would benefit from the same collateral as the holders of the Notes being offered hereby, thereby diluting your ability to benefit from the liens on the Collateral.

The Collateral and the Notes Guarantees will be subject to exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture 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 Collateral and the Notes Guarantees, as well as the ability of the Security Agent to realize or foreclose on such Collateral and the Notes Guarantees. 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 applicable law. The granting of the Notes Guarantees and security interests in connection with the issuance of the Notes, or the incurrence of permitted debt in the future, may create or restart hardening or voidance periods for such security interests in accordance with the laws applicable in certain jurisdictions.

The granting of the Notes Guarantees and security interests to secure the Notes may create hardening, clawback, voidance or preference periods for such Notes Guarantees and security interests in certain jurisdictions, including Italy, Denmark, Spain and the United States. The granting of shared security interests, including in connection with any release and retake of such security interest, to secure existing, new or future indebtedness (such as hedging obligations or any additional notes issued under the Indenture) or the transfer or the assignment of the security interest may restart or reopen hardening, clawback or preference periods in certain jurisdictions, including Italy, Denmark, Spain and the United States. The applicable hardening, clawback, voidance or preference period for these new security interests (including, for the avoidance of doubt, the Collateral granted to secure the Notes) can run from the moment each new security interest has been granted, perfected, amended, confirmed and/or confirmed and extended, shared or recreated (as applicable). At each time, if the security interest granted or recreated or confirmed and/or extended were to be enforced before the end of the respective hardening or voidance period applicable in such jurisdiction, it may be declared void, ineffective, clawed back and/or it may not be possible to enforce it. Under Italian law, Danish law, Spanish law and U.S. law, in case any security interests (including security interests in the Collateral) are released and retaken at any time, such release and retaking of security interests may give rise to the start of a new hardening or preference period in respect of such security interests. Under certain circumstances, other creditors, bankruptcy trustees, insolvency administrators or courts could challenge the validity and enforceability of the grant of such security interests. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

The Indenture will provide that the Collateral securing the Notes may be released and retaken in several circumstances, including in connection with a public offering of shares of common stock or other common equity interest and certain internal "permitted reorganizations". In Italy, Denmark, Spain and the United States, for example, such a release and retaking of Collateral may give rise to new hardening or preference periods in respect of the relevant security interests in the Collateral that are granted, perfected or released and retaken, and the security interests in the relevant Collateral would be subject to the same risks described in the preceding paragraph.

Similar considerations also apply following the Completion Date in connection with the accession of further subsidiaries as additional guarantors of the Notes and the granting of security interest over their relevant assets and equity interests for the benefit of holders of the Notes, as applicable.

The Collateral will be subject to exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture 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 Collateral, as well as the ability of the Security Agent to realize or foreclose on such 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 applicable law. The 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. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Collateral may significantly decrease. Furthermore, because the Indenture, the Notes, the Intercreditor Agreement and the security interests in the Collateral will be governed by the laws of a number of different jurisdictions, respective realization and enforcement may be further delayed by court proceedings being taken in multiple jurisdictions.

The recovery from the enforcement of the share pledges forming part of the Collateral may be complicated, involve long recovery times and a low recovery rate.

In connection with the enforcement of share pledges over shares of entities with outstanding debt obligations, any sale of such entities is likely to involve a release of some or all of the debt of such entity, which could result in a taxable capital gain to such entities. As the Notes will be issued by the Issuer, an enforcement over the shares of the Issuer would involve the enforcement over the share pledge of an entity with outstanding debt claims. In addition, the Indenture does not prohibit the Issuer from incurring additional debt claims in the future. Consequently, the enforcement of the share pledge over the Issuer's shares may result in the release of the Issuer's debt obligations, which could result in a taxable capital gain. This taxable capital gain is likely to reduce the proceeds of any recovery from the enforcement of such share pledge. Therefore, the value of the pledge over the shares of the Issuer may be limited.

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

The Issuer is incorporated under the laws of Italy. Flos and B&B are also incorporated under the laws of Italy, Louis Poulsen A/S and Danish HoldCo are incorporated under the laws of Denmark, Antares is incorporated under the laws of Spain and U.S. Bidco and the Target are incorporated under the laws of Delaware (United States of America). The Collateral includes the shares of certain of our subsidiaries incorporated under the laws of those jurisdictions and certain present and future intercompany loan receivables held by the Issuer and certain of its subsidiaries in respect of debtors in these jurisdictions. In the event of bankruptcy, insolvency, administration or a similar event, proceedings could be initiated in either of these jurisdictions. Your rights under the Notes, the Notes Guarantees and the 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 Collateral may limit the realizable value of the Collateral.

The insolvency, administration and other laws of the jurisdiction of organization of the Issuer and any Guarantor that is not incorporated in the United States 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, the 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 Notes Guarantee and the security documents in these jurisdictions or limit any amounts that you may receive. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

Moreover, in certain jurisdictions, it is unclear whether all security interests in the Collateral securing the Notes give the Security Agent a right to prevent other creditors from foreclosing on and realizing the Collateral or whether certain security interests only give the Security Agent and the holders of the Notes priority (according to their rank) in the distribution of any proceeds of such realization. Accordingly, the Security Agent and the holders of the Notes may not be able to avoid foreclosure by other creditors (including unsecured creditors) on such Collateral.

The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of the Notes. The ability of the Security Agent to enforce the Collateral may be restricted by local law.

The security interests in the Collateral that will secure the obligations of the Issuer under the Notes will not be granted directly to the holders of the Notes but to the Security Agent, and thus the holders of the Notes will not have any independent power to enforce, or have recourse to, any of the Security Documents or to exercise any rights or powers arising under the Security Documents except through the Security Agent as provided in the Intercreditor Agreement. By accepting a Note, you will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Notes will have limited remedies and recourse against us in the event of a default. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

In addition, the ability of the Security Agent to enforce the security interests is subject to mandatory provisions of the laws of each jurisdiction in which security interests over the Collateral are taken, including Italian, Danish and Spanish and U.S. law, as applicable. For example, the laws of certain jurisdictions may not allow for the appropriation of certain pledged assets, but require a sale through a public auction and certain waiting periods may apply. There is some uncertainty under the laws of certain jurisdictions as to whether obligations to beneficial owners of the Notes that are not identified as registered holders in, nor are directly parties to, a security document will be validly secured and/or can be enforced; this area of law is untested in the courts of certain jurisdictions (including the Republic of Italy and Spain). In certain jurisdictions, due to the laws and other jurisprudence governing the creation and perfection of security interests and the enforceability of such security interests, the Intercreditor Agreement will provide for the creation of "parallel debt" obligations in favor of the relevant Security Agent ("**Parallel Debt**") mirroring the obligations of the Issuer and any Guarantor owed to holders of the Notes under or in connection with the Indenture, as applicable ("**Principal Obligations**"), but in jurisdictions such as Italy and Spain, these Parallel Debt provisions would not be applicable provided Italian and Spanish case law has not ruled for its application. All or part of the pledges and other security interests in such jurisdictions will be granted to the Security Agent as security interests for the Parallel Debt and will not directly secure the Principal Obligations (except for cases such as Spain where the Principal Obligations would be secured). Under the provisions of the Intercreditor Agreement, the Parallel Debt will be at all times in the same amount and payable at the same time as the Principal Obligations and any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. In respect of the security interests granted to secure the Parallel Debt, the holders of the Notes will not have direct security interests and will not be entitled to take enforcement actions in respect of such security interests except through the Security Agent. Therefore, the holders of the Notes will bear the risk of insolvency or bankruptcy of the Security Agent. In addition, the Parallel Debt construct in financing transactions, including credit facilities and bond issuances, has not been tested under law in certain of these jurisdictions, including under Italian law, Danish law and Spanish law, and to the extent that the security interests in the Collateral created to secure the Parallel Debt construct are not validly granted, are unenforceable or are successfully challenged by other parties, holders of the Notes will not receive any proceeds from an enforcement of such security interests in the Collateral. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

For example, in Italy the Collateral will not be granted directly to the holders of the Notes but will be created and perfected in favor of the Security Agent, acting also in its capacity as representative (*rappresentante*) of the holder of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code. Under such provision (introduced by Italian Law No. 164 of November 11, 2014), the security interests and guarantees assisting bond issuances can be validly created in favor of an agent (*rappresentante*) of the holders of the Notes who will then be entitled to exercise in the name and on behalf of the holders 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 case law on the exercise of the rights and enforcement of such security interest and guarantee 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 Collateral nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries.

Furthermore, under Italian law, in the event that the Issuer enters into insolvency proceedings, the security interests created under the security documents entered into to secure the Issuer's obligations under the Notes could be subject to potential challenges by an insolvency administrator or by other creditors of the Issuer under the rules of avoidance or claw back of Italian insolvency laws and the relevant law on the non-insolvency avoidance or claw back of transactions by the debtor made during a certain legally specified period (the "suspect period"). A longer period may apply to any Collateral governed by Italian law which may be granted after the Offering.

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 of the claims of other creditors, even if such claims are secured claims. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

In Spain, the concept of "parallel debt" is not recognized under Spanish law and guarantees/ security interests require the beneficiary of the guarantee/ security interests and the creditor to be the same person, thus implying that any guarantee/security interests cannot be held by a third party who does not hold the guaranteed/secured claim but purports to hold guarantees/security interests for the parties that do. In particular, in Spain, the Collateral will be granted directly to the holders of the Notes represented and acting through the Security Agent which also acts in its capacity as representative (*en nombre y representación*) of the holders of the Notes and thus being the only party entitled to enforce the guarantees or security interests granted in respect to the obligations derived from the Notes. For the enforcement of any security interest in Spain by the Security Agent, it will be necessary (i) that each of the secured parties benefiting from such Collateral proves its title to the secured obligations, ratifies such Collateral and accepts the benefit of the security interest in its respective name and (ii) to prove that the Security Agent is duly and expressly empowered by means of duly notarized powers of attorney granted in favor of the Security Agent by each of the actual or future creditors, if necessary, with the Apostille of The Hague Convention dated October 5, 1961. Therefore, there could be a delay in the enforcement of the Collateral in Spain while the Security Agent obtains such powers and the relevant public deeds are granted. In the absence of the notarized and apostilled powers of attorney, the Security Agent may not be able to enforce the relevant Collateral or security interests in Spain on behalf of the holders of the Notes, and there is a risk that the Security Agent would only be able to enforce the security interest against the debt that it individually holds, and not for the full amount owed to creditors for whom it may be acting as Security Agent. Further, those beneficial holders of the security who have not accepted the security or have not duly empowered (by means of notarial and apostilled powers of attorney) the Security Agent to do so may be treated, from a Spanish law perspective including without limitation in an insolvency scenario, as unsecured creditors. Further, there is a risk that the relevant court or notary public before whom any Spanish security interest may eventually be enforced might request both the notarization of the documents from which the relevant obligations arise, and the notarization of each and every one of the transfer certificates regarding each and every transfer of the Notes. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

The enforcement of the Collateral located in Italy or governed by Italian law, located in Denmark or governed by Danish law and located in Spain or governed by Spanish law is subject to mandatory provisions of Italian law, Danish law and Spanish law, as applicable, including in relation to limitations and defenses or to limitations contained in the terms of the Security Documents designed to ensure compliance with applicable statutory requirements.

As regards the security documents governed by Danish law, the Security Agent's ability to hold the relevant security interests on behalf of the holders of the Notes require that the Security Agent is registered with the Danish Financial Supervisory Authority (*Finanstilsynet*) in accordance with the rules set out in Chapter 4 of the Danish Capital Markets Act (*kapitalmarkedsloven*). No assurance can be given that the Security Agent or the terms and conditions of the Notes and other documents meet the eligibility criteria for the Security Agent to be registered with the Danish Financial Supervisory Authority, that such registration will be obtained or, if obtained, that it will be maintained.

In case of insolvency of any Guarantor, the enforcement of any collateral provided by such Guarantor may be subject to certain restrictions. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

Rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral.

Under 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 or the grantor of the security, as applicable. The liens on the Collateral securing the Notes may not be perfected with respect to the claims of the Notes if we, or the Security Agent, fail or are unable to take the actions necessary to perfect any of these liens. Any failure to perfect any security interest in the Collateral may result in the invalidity of the relevant security interest, the holder of the security interest having difficulty enforcing such holder's right in the 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 Collateral, which may have a material adverse effect on the ability of the holders of the Notes to receive proceeds from any enforcement of the Collateral. The Trustee and the Security Agent will not be under any obligation or responsibility to take any steps or action to perfect, or ensure the perfection of, any such liens.

As a matter of Danish law, it is, *inter alia*, a perfection requirement that bank accounts and the cash flow from assigned intercompany loans are controlled by the Security Agent (*i.e.* by effectively blocking the pledgor from making any withdrawal from the bank account without the specific consent of the Security Agent and by only allowing payment of the intercompany loan to the Security Agent (or a third party so designated by the Security Agent)). Absent such perfection, the holder of the security interest will be unable to enforce its rights in the secured assets in competition with third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same assets. Furthermore, if the Security Agent gains control of the cash flow at a later stage, the security interest in such assets will be subject to the voidance rules of the Danish Bankruptcy Act, which among other things, include a general three-month hardening period from the day the Security Agent assumes control of the cash flow.

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

Pursuant to the Indenture, under a variety of circumstances, the Collateral securing the Notes will be released automatically, including a sale or other disposition of such Collateral in a transaction that does not violate the asset sale covenant of the Indenture, as applicable, and in connection with an enforcement sale permitted under the Intercreditor Agreement. The Indenture will also permit us to designate one or more restricted subsidiaries that are guarantors of the Notes as unrestricted subsidiaries. If we designate a Guarantor as an unrestricted subsidiary for purposes of the Indenture, all of the liens on the Collateral owned by such subsidiary and any Notes Guarantee of the Notes by such subsidiary will be released under the Indenture, subject to certain conditions. Designation of an unrestricted subsidiary as such will reduce the aggregate value of the Collateral securing the Notes to the extent of liens securing the shares of such unrestricted subsidiary or of its subsidiaries.

The Issuer may amend the economic terms and conditions of the Notes without the prior consent of all noteholders with the vote of either 75% or 50% of the aggregate principal amount of the outstanding Notes or the relevant series of Notes, as the case may be.

The Indenture will contain provisions for calling meetings of the holders of the Notes to consider matters affecting their interests generally. As set forth in "*Description of Notes—Meeting of Holders of Notes*", the majority required to pass an extraordinary resolution at any meeting of holders of Notes will be one or more persons holding or representing at least 75% of the aggregate principal amount of the outstanding Notes or the relevant series of Notes, as the case may be. These provisions permit defined majorities (50% or 75%), depending on the nature of the resolution, to bind all holders of the Notes or the relevant series of Notes, as the case may be, including holders of Notes who did not attend and vote at the relevant meeting, and holders of Notes 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 quorum requirements relating to meetings and/or to change the majority required to pass a resolution, and to change the amendment provisions. These and other changes may adversely impact rights of holders of Notes and may have a material adverse effect on the market value of the Notes.

Under Italian law, the approval of an extraordinary resolution typically requires the consent of more than one half of the aggregate principal amount of the outstanding Notes. Our decision to increase the majority requirement is untested under Italian law, may be challenged by holders of the Notes, the Issuer and others, and if challenged, may not be upheld by an Italian court, with the consequence that the majority voting threshold may be reduced from 75% to 50%. Furthermore, the interaction between (i) the provisions set forth under the Indenture with respect to meetings of holders of the Notes, the applicable majorities and the rights of each holder of the Notes to vote in the relevant meeting and (ii) applicable Italian law provisions relating to quorum and majorities in meetings of holders of notes issued by Italian companies is also largely untested in the Italian courts.

The insolvency laws of Italy, Denmark, Spain and other applicable jurisdictions may not be as favorable to you as the insolvency laws of the United States or those of another jurisdiction with which you are familiar; other limitations on the Notes Guarantees and the security interests in the Collateral, including fraudulent conveyance statutes, may adversely affect their validity and enforceability.

The Issuer is incorporated under the laws of Italy and certain Guarantors are incorporated under the laws of other European Union Member States, such as Antares which is incorporated in Spain. There is a rebuttable presumption that the "centre of main interest" as defined in Regulation (EU) No. 2015/848 of the European Parliament and of the Council of May 20, 2015 on Insolvency Proceedings (the "**Insolvency Regulation**") is the jurisdiction where a company's registered office is situated. In addition, the Collateral will include a pledge over the shares of the Issuer and certain subsidiaries that are incorporated under the laws of Italy, Denmark, Spain and Delaware (United States of America), as applicable, and pledges of certain present and future intercompany loan receivables. While Denmark and Delaware are not bound by or otherwise subject to the application of the Insolvency Regulation, the rebuttable presumption operated by the Insolvency Regulation is applicable in Italy and Spain, where it is also established under Royal Legislative Decree 1/2020 approving the consolidated text of the Insolvency Law, as amended (the "**Spanish Insolvency Act**").

The insolvency laws of non-U.S. jurisdictions, including Italy, Denmark and Spain, may not be as favorable to your interests as the laws of the United States or other jurisdictions with which you are familiar. In the event that any one or more of the Issuer, a Guarantor or any other of the Issuer's subsidiaries experiences 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. In particular, the Indenture and the Intercreditor Agreement could be limited in scope and effect by Italian courts to the extent their covenants and provisions, which are untested under Italian case law, could be considered to conflict with mandatory provisions of Italian law. In the event that the Issuer experiences 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 or their duration (which may be significantly longer than the duration of analogous proceedings in jurisdictions you may be familiar with).

Danish HoldCo and Louis Poulsen A/S are companies incorporated under the laws of Denmark. Accordingly, any insolvency proceedings with respect to Danish HoldCo and its Danish subsidiaries may proceed under, and be governed by, the insolvency laws of Denmark. These laws may adversely affect the enforcement of your rights under the Notes and may not be as favorable to your interests as a creditor as the laws of other jurisdictions.

In a Danish bankruptcy, the debtor's assets are liquidated and the proceeds are distributed to the creditors based on a priority of claims. Such liquidation may not yield the same value to the creditors as a reorganization and sale of a going concern. As a general rule, the debtor or any creditor may present a petition for bankruptcy. A bankruptcy requires the bankruptcy court to be satisfied that the debtor is insolvent based on a statement of the debtor's liquidity status. A bankruptcy petition by a creditor is barred if the creditor is adequately protected in the event of the debtor's insolvency by means of good and valid security. If bankruptcy proceedings are commenced, payments under the Notes may be delayed and may not be made in full. Provisions on avoidance and set off may adversely affect the enforcement of rights under the Notes.

Danish insolvency law also includes a scheme for reconstruction (*rekonstruktion*) of insolvent companies. In broad terms, this scheme provides for reconstruction of an insolvent company by transfer of the business in full or in part, by a compulsory composition/moratorium or by a combination of both. During the reconstruction procedure, creditors are restricted in their ability to enforce the claims, however valid security may be enforced under certain conditions. In general, the provisions on avoidance and set off applicable in a bankruptcy also applies when reconstruction proceedings are commenced.

In addition, Antares is incorporated under the laws of Spain and, accordingly, any insolvency proceedings with respect to it may proceed under, and be governed by, the laws of Spain. The insolvency laws of Spain may not be as favorable to holders of the Notes as the laws of the United States or some other jurisdictions, and certain provisions of Spanish insolvency law could affect the ranking of the Notes and the Notes Guarantees or claims relating to the Notes and the Notes Guarantees (including enforcement claims) on an insolvency of Antares, as the case may be.

As a consequence, enforcement of rights under the Notes, the Notes Guarantees and the Collateral in an insolvency situation may be delayed and be complex and costly for creditors. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

Although laws differ among the jurisdictions, in general, applicable fraudulent transfer and conveyance and equitable principles, insolvency laws and limitations on the enforceability of judgments obtained in courts in such jurisdictions could limit the enforceability of the Notes against the Issuer, the enforceability of a Notes Guarantee against a Guarantor and the enforceability of the security interests in the Collateral. In certain circumstances the court may also void the security interest or the Notes Guarantees if the company is close to or near insolvency. The following discussion of fraudulent transfer, conveyance and insolvency law, although an overview, describes generally applicable terms and principles, which are defined under the relevant jurisdiction's fraudulent transfer and insolvency statutes.

In an insolvency proceeding, it is possible that creditors of a Guarantor or the appointed insolvency administrator may challenge the Notes Guarantees and the security interests, and intercompany obligations generally, as preferences, transaction at an undervalue, invalid charges, fraudulent transfers or conveyances or on other grounds. If so, such laws may permit a court, if it makes certain findings, to:

- avoid or invalidate all or a portion of a Guarantor's obligations under its Notes Guarantee or the security interests provided by such security provider;
- direct that the Issuer and the holders of the Notes return any amounts paid under a Notes Guarantee or any security interest on the Collateral to the relevant Guarantor or security provider or to a fund for the benefit of the Guarantor's or security provider's creditors; and
- take other action that is detrimental to you.

If we cannot satisfy our obligations under the Notes and any Notes Guarantee or security interest is found to be a preference, transaction at an undervalue, fraudulent transfer or conveyance or is otherwise set aside, we cannot assure you that we can ever repay in full any amounts outstanding under the Notes. In addition, the liability of each Guarantor or security provider under its Notes Guarantee or the security interests will be limited to the amount that will result in such guarantee or security interests not constituting a fraudulent conveyance or improper corporate distribution or otherwise being set aside.

The amount recoverable from the Guarantors and security providers under the Security Documents will also be limited. However, there can be no assurance as to what standard a court would apply in making a determination of the maximum liability of each. There is also the possibility that the entire Notes Guarantee or security interest may be set aside, in which case the entire liability may be extinguished. See also "*—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Notes Guarantees and the Collateral may adversely affect the validity and enforceability of the Notes Guarantees and the Collateral*".

In order to initiate any of these actions under fraudulent transfer or other applicable principles, courts would, for example, need to find that, at the time the Notes Guarantees were issued or the security interests created, the Guarantor or security provider:

- issued such Notes Guarantee or created such security interest with the intent of hindering, delaying or defrauding current or future creditors or with a desire to prefer some creditors over others (and, in certain jurisdictions, even if the recipient was aware that the Guarantor or the collateral provider was insolvent when it granted the Notes Guarantee or security interest), or created such security after its insolvency;
- issued such Notes Guarantee or created such security interest in a situation where a prudent business person as a shareholder of such Guarantor or security provider would have contributed equity to such Guarantor or security provider or where the relevant beneficiary of the Notes Guarantee or security interest knew or should have known that the Guarantor or security provider was insolvent or a filing for insolvency had been made;
- received less than reasonably equivalent value for incurring the debt represented by the Notes Guarantee or security interest on the basis that the Notes Guarantee or security interest were incurred for our benefit, and only indirectly the Guarantor's or security provider's benefit, or on some other basis and (i) was insolvent or rendered insolvent by reason of the issuance of the Notes Guarantee or the creation of the security interest, or subsequently became insolvent for other reasons, (ii) was engaged, or was about to engage, in a business transaction for which the Guarantor's or security provider's assets were unreasonably small or (iii) intended to incur, or believed it would incur, debts beyond its ability to make required payments as and when they would become due;
- the Notes Guarantee or security interest was entered into within a certain time period prior to the opening date of insolvency proceedings of the Guarantor or collateral provider; or
- the amount paid or payable was in excess of the maximum amount permitted under applicable law.

Different jurisdictions evaluate insolvency on various criteria, but a Guarantor or security provider generally may, in different jurisdictions, be considered insolvent at the time it issued a Notes Guarantee or created any security interest if:

- its liabilities exceed the fair market value of its assets;
- it cannot pay its debts as and when they become due; or
- the present saleable value of its assets is less than the amount required to pay its total existing debts and liabilities, including contingent and prospective liabilities, as they mature or become absolute.

Although we believe that we and the Group are solvent, and will be so after giving effect to the Transactions, there can be no assurance as to which standard a court would apply in determining whether a Guarantor or security provider was "insolvent" as of the date the Notes Guarantees were issued or the security interests were created or that, regardless of the method of valuation, a court would not determine that a Guarantor or security provider was insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor or security provider was insolvent on the date its Notes Guarantee was issued or the security interests were created, that payments to holders of the Notes constituted fraudulent transfers on other grounds.

Under Italian law, in the event that the Issuer enters into insolvency proceedings, the security interests granted to secure the Notes 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, (ii) security granted in order to secure a debt due and payable, whereby the creditor must prove his lack of knowledge of the state of insolvency of the relevant entity in order to rebut any clawback action during the suspect period of six months prior to the declaration of the insolvency, and (iii) 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 insolvency administrator 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 Guarantee and the Collateral and certain insolvency law considerations*" 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 insolvent entity in the two-year period prior to insolvency. In addition, the Insolvency Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the EU.

If challenged successfully, the security interest in the Collateral 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.

Under Spanish law the granting of security is subject to the two-year applicable clawback regime in the case of an insolvency. Therefore, the insolvency trustee or receiver could challenge those transactions that could be deemed as being "detrimental" (*perjudiciales*) to the insolvent debtor's estate, provided that they have taken place within two years prior to bankruptcy declaration, even in the absence of fraudulent intent (in accordance with Article 238 of the Spanish Insolvency Act, transactions taking place four years before the insolvency declaration are subject to the ordinary regime of rescission set forth in the Spanish Civil Code).

In order to seek protection against claw-back, refinancing agreements (out-of-court workouts) may be judicially sanctioned (*homologados*) by the commercial court that will be competent to conduct an eventual insolvency proceeding in compliance with the provisions of the Spanish Insolvency Act.

Finally, as a consequence of the adverse effects of the COVID-19 pandemic on businesses in Spain, the Spanish Government has enacted a series of extraordinary legislative instruments which contain certain temporary provisions with effects on the general insolvency regime.

For an overview of certain insolvency laws and enforceability issues as they relate to the Notes Guarantees and security interests, see "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

Our right to receive payments under the I/C Loans 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"). Pursuant to Article 2467 of the Italian Civil Code, 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 Italian borrowers under the relevant I/C Loans (*i.e.* Flos and B&B).

Therefore, upon the occurrence of the requirements provided for by the relevant provisions, it cannot be excluded that a court may find the requirements provided for by the relevant provisions of the Italian Civil Code to be applicable in respect of the Flos I/C Loan and/or the B&B I/C Loan borrowed by, respectively, Flos and B&B. Accordingly, an Italian court may conclude that Flos' and/or B&B's obligations under, respectively, the Flos I/C Loan and the B&B I/C Loan are subordinated to all their obligations to other creditors. Should any of Flos' and/or B&B's obligations under, respectively, the Flos I/C Loan and the B&B I/C 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, respectively, the Flos I/C Loan and the B&B I/C Loan to the relevant subsidiary, 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 or notes 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 notes or any guarantees and/or security interest granted by such Italian subsidiaries (including the Guarantees provided by B&B and Flos) may be impaired or restricted. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Consideration*s".

Transfer of the Notes will be restricted, which may adversely affect the value of the Notes.

Because the Notes and the Notes Guarantees have not been, and will not be registered under the U.S. Securities Act or the securities laws of any other jurisdiction, they may not be offered or sold in the United States except to QIBs in accordance with Rule 144A, to non-U.S. persons in offshore transactions in accordance with Regulation S or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and all other applicable laws. These restrictions may limit the ability of investors to resell the Notes. It is the obligation of investors in the Notes to ensure that all offers and sales of the Notes in the United States and other countries comply with applicable securities laws. See "*Notice to Prospective U.S. Investors*".

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

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the Global Notes (as defined below) will trade in book entry form only, and Notes in definitive registered form, or Definitive Registered Notes (as defined below), will be issued in exchange for book entry interests only in very limited circumstances. Owners of book entry interests will not be considered owners or holders of Notes. The common depositary, or its nominee, for Euroclear and Clearstream will be the sole registered holder of the Global Notes representing the Notes.

Payments of principal, interest and other amounts owing on or in respect of the Global Notes representing the Notes will be made to the Paying Agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold book entry interests in the Global Notes representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, none of the Issuer, the Trustee, the Transfer Agent, the Registrar or the Paying Agent will have any responsibility or liability for the payment of interest, principal or other amounts to the owners of book entry interests. Accordingly, if investors own a book entry interest, they must rely on the procedures of Euroclear and Clearstream, and if investors are not participants in Euroclear and Clearstream, they must rely on the procedures of the participant through which they own their interest, to exercise any rights and obligations of a holder of the Notes under the Indenture.

Unlike the 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, requests for waivers or other actions from holders of the Notes. Instead, if an investor owns a book entry interest, it will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable such investor to vote 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 investors own book entry interests, they will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. See "*Book-Entry, Delivery and Form*".

There may not be an active trading market for the Notes, in which case your ability to sell the Notes will be limited.

The Notes are new securities for which there is currently no market. We cannot assure you as to:

- the liquidity of any market in the Notes;
- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices for the Notes will depend on many factors, including the liquidity of the market for the Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and our own financial condition, performance and prospects, as well as third-party recommendations. Historically, the market for non-investment grade securities has from time to time been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes will depend on the number of holders of the Notes and may be adversely affected by a general decline in the market for similar securities. In addition, the trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. The Initial Purchasers have informed us that they intend to make a market in the Notes. However, they are not obligated to do so and may discontinue such market-making at any time without notice. As a result, we cannot assure you that an active trading market for the Notes will develop or, if one does develop, that it will be maintained, and any disruption in the trading market for the Notes may have a negative effect on your investment regardless of our prospects and financial performance. If no active trading market develops, you may not be able to resell your Notes at fair value, if at all.

Although an application has been made for the Notes to be listed on the Official List of the LuxSE and to be admitted to trading on the Euro MTF Market, we cannot assure you that the Notes will be or remain listed. Although no assurance is made as to the liquidity of the Notes as a result of the admission to trading on the Euro MTF Market, failure to be approved for listing or the delisting of the Notes (whether or not for an alternative admission to listing on another stock exchange), as applicable, from the Official List of the LuxSE may have a material effect on a holder's ability to resell the Notes in the secondary market.

If the Notes are redeemed early, an investor may not be able to reinvest such proceeds in a comparable security.

In the event that the Notes are redeemed early in accordance with "*Description of Notes—Optional Redemption*" and depending on prevailing market conditions at the time, an investor who receives proceeds due to such an early redemption may not be able to reinvest such proceeds in a comparable security at an effective interest rate as high as that carried by the Notes.

Investors may not be able to recover in civil proceedings for U.S. securities law violations.

The Issuer and a number of the Guarantors are organized or incorporated outside the United States, and their business is substantially conducted outside the United States. The directors and executive officers of the Issuer and a number of the Guarantors are non-residents of, and substantially all of their assets are located outside of, the United States. Although the Issuer and the Guarantors 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 the directors and executive officers of the Issuer and those Guarantors organized or incorporated outside the United States. In addition, as a majority of the assets of the Issuer and their subsidiaries and those of their directors and executive officers are and will be located outside of the United States, you may be unable to enforce U.S. court judgments against them. Moreover, actions of the Issuer and the Guarantors may not be subject to the civil liability provisions of the federal securities laws of the United States.

Additionally, there is uncertainty as to whether the courts of non-U.S. jurisdictions would enforce (i) judgments of U.S. courts obtained against the Issuer and the directors and executive officers who are not residents of the United States predicated upon the civil liability provisions of the U.S. federal and state securities laws or (ii) in original actions brought in such non-U.S. jurisdictions against us or such persons predicated upon the U.S. federal and state securities laws. For further information see "*Service of Process and Enforcement of Civil Liabilities*".

The Issuer may not be able to repurchase the Notes upon a change of control or pursuant to an asset sale offer. In addition, under certain circumstances, the Issuer may have the right to purchase all outstanding Notes in connection with a tender offer, even if certain holders do not consent to the tender.

If a change of control (as defined in the Indenture) occurs, the Issuer will be required to make an offer to purchase all the outstanding Notes at a price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest and additional amounts, if any, to, but excluding, the date of purchase. In such a situation, the Issuer may not have enough funds to pay for all of the Notes that are tendered under any such offer and may need to obtain financing to pay for the tendered Notes. However, the Issuer may not be able to obtain such financing on acceptable terms, if at all. A change of control may also result in a similar offer under the Existing Indenture and a mandatory prepayment under the Revolving Credit Facility Agreement and agreements governing any future indebtedness and may result in the acceleration of such indebtedness. Any failure by the Issuer to offer to purchase the Notes upon a change of control would constitute a default under the Indenture.

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including reorganizations, restructurings, mergers, recapitalizations or other similar transactions involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a change of control as defined in the Indenture. Moreover, a change of control will be deemed not to have occurred if it constitutes a "Specified Change of Control Event". See "*Description of Notes—Change of Control*" and "*Description of Notes—Certain Definitions—Specified Change of Control Event*".

Moreover, in certain circumstances specified in the Indenture, we will be required to commence an asset sale offer, as defined under the Indenture, to all holders of the Notes pursuant to which we will be obligated to offer to purchase the Notes at a price equal to 100% of their principal amount plus accrued and unpaid interest. See "*Description of Notes—Certain Covenants—Asset Sales*".

In connection with certain tender offers for the Notes, if holders of not less than 90% in aggregate principal amount of the applicable 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 Notes validly tendered and not withdrawn by such holders, the Issuer or such third party will also have the right to redeem the Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of Notes. See "*Description of Notes—Optional Redemption*".

The term "all or substantially all" in the context of a change of control has no clearly established meaning under relevant laws and is subject to judicial interpretation such that it may not be certain that a change of control has occurred or will occur.

The definition of "change of control" and the paragraph "Merger, Consolidation, Amalgamation or Sale of all or Substantially all Assets" in the Indenture will include (with certain exceptions) a disposition of all or substantially all of the assets of the Issuer and its restricted subsidiaries (taken as a whole), to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all", it has no clearly established meaning under relevant law, varies according to the facts and circumstances of the subject transaction and is subject to judicial interpretation. Accordingly, in certain circumstances, there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of "all or substantially all" of the assets of a person, and therefore it may be unclear whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

Interest paid on the Notes may be treated as U.S. source interest, in which case, 30% U.S. withholding tax may apply unless a non-U.S. holder qualifies for an exemption from such withholding tax.

A substantial portion of the net proceeds of this offering is expected to be on-lent by us to U.S. BidCo and used in the United States to fund the Acquisition. As a result, the U.S. Internal Revenue Service (the "IRS") could argue that there is a potential tax avoidance plan and that interest on the Notes paid to a non-U.S. holder is treated as U.S. source interest, which is subject to withholding tax at a rate of 30% (or a lower treaty rate) unless the non-U.S. holder qualifies for an applicable exemption. We will not be required to pay any additional amounts with respect to amounts so withheld. See "*Taxation—Certain United States Federal Income Tax Considerations—Possible Alternative Tax Treatment of the Notes*" for a discussion of these potential U.S. federal income tax consequences and of certain related acknowledgements, representations and agreements that each holder and beneficial owner of the Notes will be deemed to have made by its purchase and acceptance of the Notes.

You may face currency exchange risks or other consequences as a result of investing in the Notes.

The Notes will be denominated and payable in euro. If you are a U.S. investor, an investment in the Notes will entail currency exchange-related risks due to, among other factors, possible significant changes in the value of the euro relative to the U.S. dollar because of economic, political and other factors over which we have no control. Depreciation of the euro against the U.S. dollar could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to U.S. investors on a U.S. dollar basis. Investing in the Notes by U.S. investors may have significant tax consequences as a result of foreign exchange gains or losses, if any. See "*Taxation—Certain United States Federal Income Tax Considerations*".

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

Current tax legislation in Italy (Article 96 of Presidential Decree No. 917 of December 22, 1986, as amended by Legislative Decree No. 142 of November 29, 2018) allows for the full tax deductibility of interest expense incurred by a 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, and interest income carried forward of the previous years. Excess interest income may be carried forward without time limitation to allow deduction of interest expenses in following years. A further deduction of interest expense in excess of this amount is allowed up to a threshold of 30% of the EBITDA of a company, modified with certain adjustments (*risultato operativo lordo della gestione caratteristica*) ("**ROL**"), as well as 30% of ROL carried forward from previous fiscal years. The ROL is calculated on the basis of the value of the items of the Issuer's profit and loss account, which are comprised of the operating gross revenues and expenses (excluding depreciation of tangible and intangible assets, as well as leasing fees), as determined through the application of the tax rules concerning the determination of the corporate income taxable base. The amount of ROL not used for the deduction of the amount of interest expense in a fiscal year can be carried forward for the following five fiscal years. Net interest expense not deducted in a relevant fiscal year can be carried forward to the following fiscal years without time limits, provided that, in such fiscal years, the amount of interest expense that exceeds interest income of the same fiscal year and interest income carried forward from the previous years, is lower than 30% of ROL. If the tax group regime (*consolidato fiscale*) applies, interest expense not deducted by an entity in the Italian tax group due to lack of ROL can be deducted at the tax unity level, within the limit of the excess of interest income of the same fiscal year and interest income carried forward from the previous years (if accrued after the inclusion in the Italian tax group) and the excess of ROL of the same fiscal year and ROL carried forward of the previous five years (if accrued after the inclusion in the Italian tax group) of the other Italian resident companies belonging to the same tax group. Our ability to deduct interest expense in respect of the Notes and other indebtedness incurred by companies within the Group will therefore depend on the ROL and our ability to have tax group arrangements. Any delay in the effectiveness of a tax group will impact the ability to deduct interest expense.

In addition, there can be no assurance that in case of a tax audit, the relevant tax authorities would not try to challenge the deductibility of interest expenses arising in connection with the component of any financing used, in whole or in part, to refinance an outstanding loan, when the terms and conditions of the refinancing transaction appear less favorable than the ones of the previous financing transaction or to finance payments or distributions of dividends and/or capital made to shareholders of the Issuer or otherwise. In particular, in such circumstances the relevant tax authorities could argue that the interest expenses arising from such financing do not relate to the business of the borrowing entity (as the relevant transaction is deemed as "anti-economic" and as such not compliant with the "business purpose" (*inerenza*) principle set out under Italian tax law).

The Italian tax authorities have in certain instances challenged leveraged buyout ("**LBO**") transactions with respect to the deductibility of interest expenses arising in connection with acquisition financing. On March 30, 2016, the Italian Revenue Agency issued Circular Letter n. 6/E (the "**Circular Letter**") clarifying, as a common principle, that interest on the acquisition bank loan in LBO transactions is generally deductible for IRES purposes, subject only to ordinary limitations stated in art. 96 Presidential Decree n.917 of December 22, 1986. In particular, the Italian Revenue Agency confirmed that LBO transactions are grounded on sound economic reasons, as the aim to acquire control over the target company and its structure (including the debt push down) is usually requested by third-party lenders. As a result of such guidance, LBO transactions are generally not considered suspect 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).

Any future changes in Italian tax laws or in their interpretation, including any future limitation on the use of the ROL or the tax treatment of interest expense arising from any indebtedness, including the Notes, the failure to satisfy the applicable legal requirements relating to the deductibility of interest expense or the application by Italian tax authorities of certain existing interpretations of Italian tax law (including as referred to in the Circular Letter) may result in our inability to fully deduct our interest expense and application of withholding taxes, which may have an adverse impact on our financial condition.

Furthermore, if the Italian tax authorities were to successfully challenge the tax treatment or characterization of any of the transactions performed or of our previous or existing indebtedness, including the Notes or the use of proceeds from the Offering, including on the basis of anti-avoidance or anti-abusive criteria, we may be unable to fully deduct our interest expenses or be subject to (i) significant penalties and accrued interest, (ii) the imposition of withholding taxes or (iii) other consequences that could have a material adverse effect on our financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

Investors in the Notes generally will not be entitled to a gross-up for any Italian withholding taxes.

The Issuer is organized under the laws of Italy and is 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 or on behalf of the Issuer in respect of the Notes will be made free and clear of Italian withholding tax, unless the withholding tax is required by law. In that event, subject to a number of exceptions, the Issuer may 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 tax been required.

The Issuer is not liable to pay any Additional Amounts to holders of the Notes under certain circumstances, including if any withholding tax is required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as the same may be amended or supplemented from time to time), and any implementing regulations ("**Decree No. 239**") or pursuant to Italian Legislative Decree No. 461 of November 21, 1997 (as the same may be amended or supplemented from time to time), and any implementing regulations ("**Decree No. 461**"), except where the procedures prescribed by Decree No. 239 or Decree No. 461 in order to benefit from an exemption have not been complied with solely due to the Issuer's (or its agents') actions or omissions. In such circumstances, where no additional amount are due, investors subject to Italian withholding tax will only receive the net proceeds of their investment in the Notes.

Although we believe that, under current law, Italian deduction of tax should not be imposed under Decree No. 239 or Decree No. 461 where a beneficial owner of Notes is resident for tax purposes in a country or territory which allows for a satisfactory exchange of information with the Italian tax authorities as identified by (i) the Italian tax authorities in Italian Ministerial Decree of September 4, 1996 as subsequently amended, supplemented and replaced or (ii) once effective, in any other decree that will be issued in the future under Art. 11(4)(c) of Decree No. 239 to provide the list of such countries (the "**White List**"), and such holder complies with certain certification requirements, there is no assurance that this will be the case. Moreover, holders of the Notes will bear the risk of any change in Decree No. 239 or in Decree No. 461 after the date hereof, including any change in the White List.

No assurance can be given that the listing of the Notes will satisfy the listing requirement of Decree No. 239.

No assurance can be given that the listing of the Notes on the Official List of the LuxSE and the admission of the Notes to trading on the LuxSE's Euro MTF Market will satisfy the listing requirement of Decree No. 239 in order for the Notes to be eligible to benefit from the provisions of such legislation relating to the exemption from the requirement to apply withholding tax.

The Italian tax authorities issued an interpretive circular relating to, among others, the listing requirement of the aforementioned legislation in order for the Notes to be eligible for the exemption from deduction of tax. According to a strict interpretation of this circular, the Notes may not be eligible to benefit from such provisions if the listing of the Notes is not effective as of the Issue Date. In the event that the Notes are not listed as of the Issue Date or that such listing requirement is not satisfied, payments of interest, premium and other income with respect to the Notes would be subject to a withholding tax, currently at a rate of 26%, and, subject to certain exceptions, see "*Description of Notes—Additional Amounts*", the Issuer would not be required to pay additional amounts with respect to such withholding tax. We cannot assure you that the Italian tax authorities will not interpret the applicable legislation as requiring that the listing be effective upon issuance of the Notes and we cannot assure you that the listing can be achieved by the Issue Date. The imposition of withholding taxes with respect to payments on the Notes and the resulting obligation to pay, subject to certain exceptions, Additional Amounts to holders of the Notes could have a material adverse effect on our financial condition and results of operations.

No assurance can be given that the procedural requirements to apply the Italian tax regime provided by Decree No. 239 will be met.

The regime provided by Decree No. 239, and in particular the exemption from withholding tax, which is in principle granted to holders of the Notes who are the beneficial owners of the proceeds from the Notes (or, if the Holders are institutional investors not subject to tax, as they are identified in any case as the beneficial owners of the Notes, as clarified by the Italian tax authorities in the Circular Letter No. 23 of March 1, 2002, par. 4) and who are resident in a country included in the White List (or are established in a country included in the White List, in case of Holders that are non-Italian institutional investors), applies if certain procedural requirements are met. It is not possible to assure that the non-Italian resident investors can claim the application of the withholding tax exemption where the relevant non-Italian intermediary fails to comply with the procedural rules set for the application of the exemption regime or fails to provide sufficient information to the relevant Italian tax authorities under the procedures set for applying the exemption regime. See "*Taxation—Certain Italian Tax Considerations*".

Should the procedural requirements not be met, Italian withholding tax may apply on the payments made on the Notes to non-Italian investors resident in countries that allow for satisfactory exchange of information with Italy. In such event, the Issuer will not be required to pay any Additional Amounts with respect to such withholding tax.

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

The Indenture 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 will 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*".

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 our ability to perform our 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 assurances 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 if, in its judgment, circumstances in the future 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 our financings and could adversely affect the value and trading of the Notes.

Certain covenants and events of default will be suspended if we receive investment grade ratings.

The Indenture will provide that, if at any time following the Issue Date, the Notes issued under the Indenture receive an investment grade rating from each of Moody's and S&P, and no default or event of default has occurred and is continuing, then beginning that day and continuing until such time as the Notes are no longer rated investment grade by either ratings agency, certain covenants will cease to be applicable to the Notes. See "*Description of Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status*". At any time when these covenants are suspended, we will be able to, among other things, incur additional indebtedness, pay cash dividends and redeem subordinated indebtedness without restriction, each of which may conflict with the interests of holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating if achieved will be maintained.

USE OF PROCEEDS

The expected estimated sources and uses of the funds necessary to consummate the Transactions are shown in the table below. Actual amounts are subject to adjustment and may differ from these estimated amounts, depending on several factors, including the amount of debt, cash and cash equivalents held by the Target, the amount reinvested by certain members of the current management team of the Target as part of the Target Management Reinvestment and the actual amount of the fees and expenses incurred in connection with, the timing of the Completion Date and the fluctuation of the U.S. Dollar to euro exchange rate between the date of this Offering Memorandum and the Completion Date. This table should be read in conjunction with "*Capitalization*".

Sources	(€ in millions)	Uses	(€ in millions)
Notes offered hereby(1)	470.0	Redemption of Existing Floating Rate Notes(2)	320.0
Cash on balance sheet of the Issuer	5.4	Accrued interest on Existing Floating Rate Notes(3)	0.3
		Acquisition of YDesign(4)	144.7
		Estimated fees and expenses(5)	10.4
Total sources	**475.4**	**Total uses**	**475.4**

(1) Assumes the Notes will be issued at par.

(2) Represents the outstanding aggregate principal amount of the Existing Floating Rate Notes. On the Issue Date, the Issuer will use a portion of the proceeds from the Notes offered hereby and available cash on balance sheet to deposit with the trustee for holders of the Existing Floating Rate Notes (or an agent thereof) an amount sufficient to redeem the Existing Floating Rate Notes in full (including accrued interest to, but excluding, the expected date of redemption). In particular, for purposes of the Refinancing: (i) €228.3 million of the Existing Floating Rate Notes, the proceeds of which were used by the Issuer to, among others, finance the acquisition by the Issuer of Flos, B&B and Danish HoldCo and to fund a portion of the Danish HoldCo I/C Loan to Danish HoldCo, will be redeemed with proceeds from tranche "A" under the Notes which, in aggregate, is expected to be equal to approximately €378.3 million ("**Tranche A**"); (ii) €52.9 million of the Existing Floating Rate Notes, the proceeds of which were used by the Issuer to fund a portion of the Flos I/C Loan to Flos, will be redeemed with proceeds from tranche "B" under the Notes which, in aggregate, is expected to be equal to approximately €52.9 million ("**Tranche B**"); and (iii) €38.8 million of the Existing Floating Rate Notes, the proceeds of which were used by the Issuer to fund a portion of the B&B I/C Loan to B&B, will be redeemed with the proceeds from tranche "C" under the Notes which, in aggregate, is expected to be equal to approximately €38.8 million ("**Tranche C**"). We expect that the Existing Floating Rate Notes will be redeemed in full on the Issue Date or shortly thereafter, as notified to the holders of the Existing Floating Rate Notes pursuant to the conditional notice of redemption dated May 10, 2021. See also "*Capitalization*". For further information on Tranche A, Tranche B and Tranche C, see "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*". For the avoidance of doubt, the "virtual tranching" of the Notes is aimed at identifying the separate portions of the proceeds of the Offering being used to consummate the Acquisition and the various elements of the Refinancing, respectively, and will not entail issuing separate identifiers (ISINs or common codes) for each such tranche.

(3) Represents accrued and unpaid interest on the Existing Floating Rate Notes from May 15, 2021 (which is the next interest payment date) to, but excluding, an estimated date of redemption of May 20, 2021. See also footnote (1) under "*Capitalization*" where we have adjusted our Cash and short-term deposits for, *inter alia*, the payment of accrued interest on the Existing Notes to be made on May 15, 2021.

(4) Represents the estimated euro amount required to complete the Acquisition to be partially funded with the proceeds from Tranche A under the Notes. The total amount required to complete the Acquisition on the Completion Date may vary from the amount indicated due to a number of factors, including the effect of adjustments to the Acquisition consideration pursuant to the Acquisition Agreement, the timing of the Completion Date, the amount reinvested by certain members of the current management team of YDesign as part of the Target Management Reinvestment and the fluctuation of the U.S. Dollar to euro exchange rate between the date of this Offering Memorandum and the Completion Date. We may enter into hedging arrangements to hedge against such exchange rate risk. See "*Risk Factors—Risks Related to the Transactions*", "*—The Transactions—The Acquisition*", "*—The Transactions—Escrow Account*" and "*Capitalization*".

(5) Represents estimated transaction costs associated with the Transactions, including initial purchaser discounts, commitment and financial advisory fees, hedging fees (if any) and other transaction costs and professional expenses to be partially funded with the proceeds from Tranche A under the Notes.

CAPITALIZATION

The following table sets forth the cash and short-term deposits and the capitalization of the Group as of December 31, 2020, on an actual basis and as adjusted on a pro forma basis to give effect to 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*" and the Issuer's 2020 Consolidated Financial Statements and accompanying notes thereto, included elsewhere in this Offering Memorandum. Except as set forth below, there have been no other material changes to our capitalization since December 31, 2020.

	As of December 31, 2020	
	Actual	**As Adjusted**
	(€ in millions)	
Cash and short-term deposits(1)	**92.7**	**87.3**
Existing Notes(2)	720.0	400.0
of which		
Existing Fixed Rate Notes	*400.0*	*400.0*
Existing Floating Rate Notes	*320.0*	—
Notes offered hereby(3)	—	470.0
Revolving Credit Facility(4)	—	—
Other financial liabilities(5)	51.6	51.6
of which IFRS 16 lease liabilities	*46.9*	*46.9*
Total financial liabilities(6)	**771.6**	**921.6**
Total shareholders' equity(7)	**1,011.4**	**1,011.4**
Total capitalization	**1,783.0**	**1,933.0**

(1) The as adjusted cash and short-term deposits figure reflects our cash and short-term deposits as of December 31, 2020 *minus* the amount of cash we expect to use in connection with the Transactions (€5.4 million), as described under "*Use of Proceeds*". The as adjusted cash and short-term deposits figure does not include €17.7 million of interest payments in respect of the Existing Notes which fall due on May 15, 2021 or the amount of cash generated and not utilized by the Group between December 31, 2020 and the Completion Date. Our cash and short-term deposits as of the estimated Completion Date might deviate, also materially, from our estimates due to a number of factors, including the actual Completion Date, the fluctuation of the U.S. Dollar to euro exchange rate between the date of this Offering Memorandum and the Completion Date and the amount of cash generated and not utilized by the Group between December 31, 2020 and the Completion Date.

(2) Reflects the aggregate principal amount of the Existing Notes, before the deduction of €23.7 million of unamortized debt issuance costs and excluding €5.6 million of accrued but unpaid interest as of December 31, 2020. A portion of the cash proceeds from the offering of the Notes, together with available cash on the Issuer's balance sheet, will be used by the Issuer to satisfy and discharge and ultimately redeem the Existing Floating Rate Notes at a price of 100% of the aggregate principal amount thereof, plus accrued and unpaid interest to, but excluding, the date of redemption, and additional amounts, if any. We expect that the Existing Floating Rate Notes will be satisfied and discharged on the Issue Date and ultimately redeemed shortly thereafter.

(3) Reflects the aggregate principal amount of the Notes offered hereby, before the deduction of unamortized debt issuance costs, which will be accounted for as a reduction of the carrying value of the Notes in the Issuer's financial statements and amortized over the term of the Notes. If the Acquisition is not completed on or prior to the Escrow Longstop Date, the Issuer will be required to redeem Notes with an aggregate issue price equal to €150.0 million at a redemption price equal to the issue price thereof plus accrued and unpaid interest from the Issue Date to but excluding such special mandatory redemption date and additional amounts, if any. The redeemed Notes shall be selected pro rata for redemption from all of the Notes. See "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*".

(4) Represents the €100.0 million senior secured revolving credit facility established under the Revolving Credit Facility Agreement. See "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*". As of the date of this Offering Memorandum, the Revolving Credit Facility is undrawn.

(5) Mainly represents IFRS 16 lease liabilities (€46.9 million) and certain minor financial indebtedness. We expect such financial liabilities to remain outstanding immediately following the Refinancing.

(6) Does not reflect (i) €23.7 million of amortized debt issuance costs and (ii) €5.6 million of accrued but unpaid interest as of December 31, 2020, in each case in respect of the Existing Notes.

(7) No adjustment has been made to the shareholders equity as a result of the Transactions See "*Use of Proceeds*".

SELECTED HISTORICAL FINANCIAL INFORMATION

Consolidated Profit and Loss Statement

	Year ended December 31,		
(in € million)	**2018[1]**	**2019[2]**	**2020**
Revenues from contracts with customers	48.2	555.9	520.6
Other revenues and income	1.4	8.3	5.3
Revenue related to Design Holding	—	0.9	0.2
Total revenues	**49.6**	**565.1**	**526.1**
Purchases of raw materials and variation in inventories	(22.2)	(218.7)	(154.2)
Personnel costs	(9.9)	(112.3)	(109.2)
Service costs	(11.5)	(125.4)	(116.5)
Service costs related to Design Holding	—	(10.0)	(5.1)
Provisions	(0.3)	(3.1)	(2.0)
Other costs and charges	(3.0)	(13.0)	(8.2)
Business combination costs	(15.5)	—	—
Total costs	**(62.4)**	**(482.5)**	**(395.2)**
Amortization, depreciation and impairment	(2.6)	(31.2)	(33.6)
Financial income	0.3	2.1	2.0
Financial charges	(6.2)	(57.6)	(57.9)
Result before tax from continuing operations	**(21.3)**	**(4.1)**	**41.4**
Income taxes	4.6	(4.9)	(18.3)
Net result from continuing operations	**(16.7)**	**(9.0)**	**23.1**
Net profit of discontinued operations	—	(0.6)	(0.5)
Profit/(loss) for the period	**(16.7)**	**(9.6)**	**22.6**
Profit/(loss) for the period, attributable to minority interest	0.4	0.9	1.4
Profit/(loss) for the period, attributable to the Group	**(17.1)**	**(10.5)**	**21.2**

(1) The consolidated profit and loss for the year ended December 31, 2018 has been derived from the corresponding comparative column in the 2019 Consolidated Financial Statements (and not from our consolidated financial statements for the year ended December 31, 2018, which are not included nor incorporated by reference in this Offering Memorandum). For additional information, see "*Presentation of Financial and Other Information*". The consolidated profit and loss data for the year ended December 31, 2018 reflects only the approximately one month of operations of the Issuer in 2018 after the closing of the initial acquisition by the Issuer of each of Flos, B&B and Danish Holdco. For information on our pro forma financial information for the year ended December 31, 2018, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

(2) The consolidated profit and loss data for the year ended December 31, 2019 have been derived from the corresponding comparative column in the 2020 Consolidated Financial Statements (and not from the 2019 Consolidated Financial Statements), which reclassified certain profit and loss line items in the 2019 financial statements for the purpose of presenting the transactions and financial position between the Issuer and its direct parent company, Design Holding, separately from the rest of the Issuer's financial information. For additional information, see "*Presentation of Financial and Other Information*".

Consolidated Statement of Financial Position

(in € million)	As of December 31, 2018[1]	2019[2]	2020
Non-current assets			
Intangible fixed assets:			
Goodwill	1,052.5	1,052.5	1,052.5
Other intangible assets	586.0	587.4	588.5
Right of use	—	44.5	43.0
Property, plant and equipment	113.2	111.7	109.3
Shareholding in parent company	—	18.0	23.4
Deferred tax assets	16.8	17.1	18.0
Non-current financial assets	2.8	3.5	3.3
Other non-current assets	0.3	2.0	1.9
Non-current assets related to Design Holding	—	1.1	1.1
Total non-current assets	**1,771.6**	**1,837.8**	**1,841.0**
Current assets			
Inventories	124.0	92.2	100.2
Trade receivables	67.6	68.3	57.1
Trade receivables related to Design Holding	—	0.2	—
Tax assets and other current assets:			
Tax receivables from tax authorities	9.6	6.3	4.9
Tax receivables related to Design Holding	—	2.3	2.3
Other assets	6.1	7.0	5.7
Cash and short-term deposits	73.1	63.6	92.7
Total current assets	**280.4**	**239.9**	**262.9**
Assets held for disposal	4.0	2.5	2.0
Total assets	**2,056.0**	**2,080.2**	**2,105.9**
Shareholders' equity			
Share capital	5.1	5.1	5.1
Other reserves	1,005.3	986.1	980.8
Result for the period	(17.1)	(10.5)	21.2
Total group shareholders' equity	**993.3**	**980.7**	**1,007.1**
Minority shareholders' equity	5.1	2.0	2.9
Result attributable to minority interests	0.4	0.9	1.4
Total shareholders' equity	**998.8**	**983.6**	**1,011.4**
Non-current liabilities			
Defined benefit plans	8.1	7.7	7.5
Provisions for risks and other charges	8.4	10.3	11.0
Non-current financial liabilities	697.4	701.9	704.7
Non-current lease liabilities	—	39.0	37.6
Deferred tax liabilities	171.1	159.0	158.8
Other non-current liabilities	1.2	0.8	0.1
Total non-current liabilities	**886.2**	**918.7**	**919.7**
Current liabilities			
Current financial liabilities	6.9	7.5	1.9
Current lease liabilities	—	8.3	9.3
Trade payables	103.5	85.7	77.9
Trade payables related to Design Holding	—	8.2	2.1
Contract liabilities vs. third parties	17.8	30.4	43.5
Tax payables and other current liabilities:			
Tax payables to tax authorities	14.3	8.5	8.8
Tax payables related to Design Holding	—	3.3	2.5
Due to social security institutions	5.6	4.6	4.9
Due to personnel and other payables	22.9	21.5	23.9
Total current liabilities	**171.0**	**177.9**	**174.8**
Total liabilities	**1,057.2**	**1,096.6**	**1,094.5**
Total shareholders' equity and liabilities	**2,056.0**	**2,080.2**	**2,105.9**

(1) The consolidated balance sheet data for the year ended December 31, 2018 has been derived from the corresponding comparative column in the 2019 Consolidated Financial Statements (and not from our consolidated financial statements for the year ended December 31, 2018, which are not included nor incorporated by reference in this Offering Memorandum). For additional information, see "*Presentation of Financial and Other Information*".

(2) The consolidated balance sheet data for the year ended December 31, 2019 have been derived from the corresponding comparative column in the 2020 Consolidated Financial Statements (and not from the 2019 Consolidated Financial Statements), which reclassified certain balance sheet line items in the 2019 financial statements for the purpose of presenting the transactions and financial position between the Issuer and its direct parent company, Design Holding, separately from the rest of the Issuer's financial information. For additional information, see "*Presentation of Financial and Other Information*".

Summary Consolidated Statement of Cash Flow

	Year ended December 31,	
in € million	**2019**	**2020**
Net cash and cash equivalents at beginning of the period	**73.1**	**63.6**
Net cash flows from operations	44.9	69.7
Net cash flows from / (used in) investing activities	(38.7)	(20.1)
Cash flows from / (used in) financing activities	(15.7)	(20.5)
Net cash and cash equivalents at end of the period	**63.6**	**92.7**

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

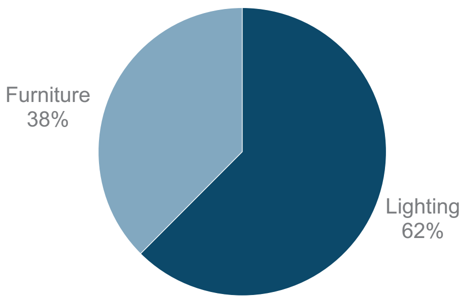
The historical data below should be read in conjunction with "Presentation of Financial and Other Information", "Use of Proceeds", "Capitalization", "Summary Historical Financial Information and Other Data", "Selected Historical Financial Information" and along with the Consolidated Financial Statements and the related notes thereto, included elsewhere in this Offering Memorandum. The information below is not necessarily indicative of our future results of operations. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Offering Memorandum, particularly in the sections entitled "Risk Factors" and "Forward-Looking Statements".

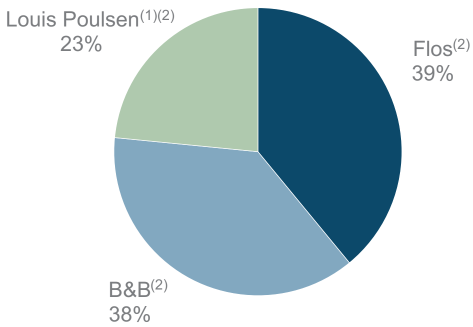
Overview

We are one of the leading global design companies in the high-end furniture and lighting markets. We design, produce, distribute and sell high-end lighting and furniture solutions, through three companies with leading market positions: Flos, an Italian lighting producer, Louis Poulsen, a Danish lighting producer, and B&B, an Italian furniture producer. With total revenue of €526.1 million, Adjusted EBITDA of €128.7 million and net profit of €22.6 million for the year ended December 31, 2020, we are one of the leading companies in the high-end design market globally. We benefit from the unique brand heritage and iconic products of each of Flos, Louis Poulsen and B&B and provide a complementary, high-end offering across a broad range of product categories, brands, sales channels and geographic areas. Following the ongoing acquisition of YDesign, a leading e-commerce retailer in the U.S. online high-end lighting market with net sales of USD163.2 million for the year ended December 31, 2020, we expect to complement our existing Flos, Louis Poulsen and B&B businesses by strengthening our U.S. and online presence.

The joint strategic direction of Flos, Louis Poulsen and B&B under one combined group, together with our long-standing relationships with top designers and specifiers, our strong and recognizable brands, our broad and diversified offering of top quality products, our extensive geographical footprint and our omni-channel distribution network, has generated, and is expected to continue generating, revenue and cost synergies since the combination of the three businesses was completed in November 2018. It has also expanded our customer reach and product portfolio and positioned us to deliver strong cash generation despite the outbreak of the COVID-19 pandemic.

For the year ended December 31, 2020, we generated 61.8% of our revenue from contracts with customers from the lighting category, which includes both indoor and outdoor products, with our lighting brands Flos and Louis Poulsen accounting for 39.0% and 23.4% of our revenue from contracts with customers and revenues related to Design Holding that are generated by each brand, gross of adjustments and eliminations, respectively. For the same period, we have generated 38.2% of our revenue from contracts with customers from the furniture category, which includes living room and bedroom products, outdoor products and kitchens, that we design through our furniture brands B&B Italia, Maxalto and Arclinea (all of which belong to the B&B group), accounting for approximately 26%, approximately 7% and approximately 5% of our revenues, respectively. The following charts set forth a breakdown of our revenue for the year ended December 31, 2020 by product category and primary brand:





(1) Louis Poulsen includes an immaterial portion of non-Louis Poulsen branded revenues (e.g. Targetti).
(2) Calculated as a percentage of Revenue from contracts with customers and Revenue related to Design Holding that is generated by each brand, gross of adjustments and eliminations.

As a global design company, we provide a full range of high-end furniture and lighting solutions to a diversified customer base of individual consumers, architects, designers and other specifiers for residential use and businesses around the globe for commercial use through an omni-channel approach comprising four key sales channels:

(i) *Wholesale.* Our wholesale channel comprises over 4,845 brick-and-mortar points of sale located around the world across a range of formats, including third-party mono-brand stores and shop-in-shops, corners and displays within multi-brand design retailers, as well as online third-party retailers;

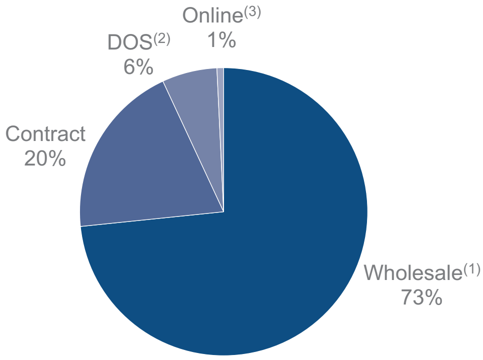
(ii) *Contract.* Our contract channel delivers bespoke design services for residential and commercial customers, utilizing both products from our catalogues and custom-made products, as well as certain complementary products from third-party producers;

(iii) Directly-Operated Stores (“**DOS**”). Our DOS channel comprises retail stores that are directly managed from our headquarters and sell only products from Flos, Louis Poulsen and B&B, either individually by company or in a combination with products from our other companies, including our two new D-Studio stores which we plan to open during the course of 2021 in Milan and Copenhagen and which will sell products from all our brands; and

(iv) *Direct online*. Our direct online channel consists of our e-commerce websites currently selling products from Flos and Louis Poulsen in different geographies (mainly North

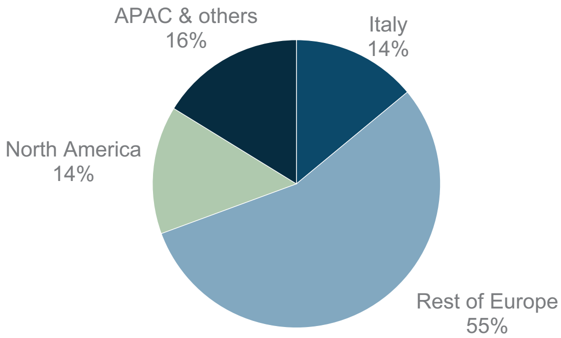
America, in respect of both Flos and Louis Poulsen, and the main European countries, in respect of Louis Poulsen only).

The following chart sets forth a breakdown of our revenue for the year ended December 31, 2020 by sales channel:



(1) Wholesale excludes revenues derived from the direct online channel. Wholesale includes e-tailers.
(2) DOS includes revenues from directly operated Flos and B&B stores.
(3) Online includes revenues from Flos' and LP's e-commerce websites.

We operate directly or indirectly in approximately 140 countries around the world. The following chart sets forth a breakdown of our revenue for the year ended December 31, 2020 by geography:



Our products are distinguished by their design content, combining innovation and technology with the rich design heritage that characterizes the Italian and Danish traditions. Each of Flos, Louis Poulsen and B&B maintains a portfolio of iconic products, a number of which have been popular for more than 50 years and were created in collaboration with some of the most prestigious designers in the world, including Antonio Citterio, Gaetano Pesce, Achille and Pier Giacomo Castiglioni, Philippe Starck, Poul Henningsen and Arne Jacobsen. Our products have received numerous global design awards and are held in the permanent collections of art and design museums worldwide, including in the Museum of Modern Art in New York, the Art Institute of Chicago, the Victoria & Albert Museum in London, Le Centre Pompidou in Paris and La Triennale di Milano in Milan. Throughout our history, our continuous efforts in technology and product development coupled with our strong relationships with prestigious designers and our ability to attract up-and-coming design talents have enabled us to complement our heritage collection with successful new products that have reinforced the growth of each of our brands over the years.

Our diversified sales organization is supported by a strong digital presence, with a number of initiatives underway to support the online presence of our companies, including the expansion of our online business, through the launch of a new state-of-the-art e-commerce platform with the support of a dedicated in-house team and of our shareholders' operating partners, and the Acquisition which will allow for the expansion of our online channel especially in North America. We are also continuing to expand our DOS presence through the launch of two D-Studio multi-brand and multifunctional flagship stores in Copenhagen and Milan, which we expect will open in 2021, where products from all our brands will be sold singularly or through tailor-made projects providing "soft-contract" solutions for business-to-customer ("**B2C**") and business-to-business ("**B2B**") customers, and through a recently-launched joint venture partnership with Fendi which we expect to also be supported by a dedicated DOS network. See "*—Recent Developments—Joint Venture with Fendi*".

The ongoing combination of our businesses and brands is still in the process of delivering revenue and cost synergies, including,among others, the selective expansion of the store network, the further development of cross-selling among brands and the creation of D-Studios. We expect that the ongoing integration of Flos, Louis Poulsen and B&B will also provide opportunities for cost synergies, including through the transfer of the production of selected architectural products of Flos and Louis Poulsen to our Spanish facilities and the opening and recent renovation of the Arclinea headquarters and training center in Caldogno, in north eastern Italy. Additional synergies are expected to be developed from the integration of the YDesign Group, primarily through the distribution of our products through the YDesign Group's online platform. See "*—Our Strategies—Drive operational excellence and finalize synergy deployment from Group integration and the Acquisition*".

Presentation of Financial Information

In this Offering Memorandum, including this "*Management's discussion and analysis of financial condition and results of operations*", we discuss our consolidated financial condition and results of operations for the years ended December 31, 2019 and 2020.

The consolidated profit and loss data and statement of financial position of the Issuer as of and for the year ended December 31, 2019 presented in this Offering Memorandum have been derived from the corresponding comparative column in the 2020 Consolidated Financial Statements (and not from the 2019 Consolidated Financial Statements), which reclassified certain profit and loss and financial position line items in the 2019 financial statements for the purpose of presenting the transactions and financial position between the Issuer and its direct parent company, Design Holding, separately from the rest of the Issuer's financial information. These reclassified line items are: (i) in the consolidated profit and loss statement, "revenues from contracts with customers", "personnel costs" and "service costs" and (ii) in the consolidated statement of financial position, "other non-current assets", "trade receivables", "tax assets and other current assets", "trade payables" and "tax payables and other current liabilities". We believe such reclassification better reflects the structure of the Group, given Group management is located at the level of Design Holding, whereas the Issuer is the reporting company. For further information, see "*Presentation of financial and other information*" and "*Management*".

In this section, we present revenue breakdowns by (i) brand (Flos, LP and B&B), which reflect our accounting segments under IFRS 8 and by (ii) sales channel, product category and geographical area, which do not represent accounting segments under IFRS 8. The business division information presented herein should be read in conjunction with our Consolidated Financial Statements. In addition, we also present certain unaudited estimated revenue breakdowns by brand, sales channel, product category and geographic area on a pro forma basis for the Acquisition. See "*Presentation of Financial Information—Certain Aggregated Revenue Breakdowns of the Issuer and YDesign*".

2018 Pro Forma Information

The Issuer is a holding company which was incorporated on September 10, 2018 for the purpose of the Original Acquisition. Therefore, the audited profit and loss statement of the Issuer for the period ended December 31, 2018 presented herein only reflects approximately one month of activity of the Group starting from the completion of the Original Acquisition on November 22, 2018 and is not comparable to the audited profit and loss statement of the Issuer for the year ended December 31, 2019. For purposes of facilitating the comparison of our results of operations among the periods under review, we also discuss the following selected pro forma profit and loss items for the year ended December 31, 2018: (i) total revenues, (ii) total costs, and (iii) Adjusted EBITDA (collectively, the "**2018 Pro Forma Information**"). The 2018 Pro Forma

Information gives pro forma effect to the acquisition by the Issuer of Flos, B&B and Danish HoldCo on November 22, 2018, as well as all the transactions related to such acquisition, including, *inter alia*, the equity contribution by the Sponsors into the Issuer, the issuance of the Existing Notes by the Issuer and the refinancing of certain previously existing indebtedness of Flos, B&B and Danish HoldCo, as if all such events had occurred on January 1, 2018. The 2018 Pro Forma Information has been prepared by management for illustrative purposes only. Neither our independent auditors or any other independent auditors have audited, reviewed, compiled or performed any procedures with respect to the 2018 Pro Forma Information for the purpose of its inclusion herein or for any other purposes and, accordingly, neither our independent auditors or any other independent auditors have expressed an opinion or provided any form of assurance with respect thereto for the purpose of this Offering Memorandum. Therefore, the comparability of our results of operations for the year ended December 31, 2018 with our results of operations for the years ended December 31, 2019 and 2020 is limited. See "*Risk Factors—Risks Related to Our Financial Information—The pro forma financial information of the Issuer relating to the year ended December 31, 2018 included herein has not been audited or otherwise reviewed by outside auditors, consultants or experts, is subject to management estimates and should not be relied upon in isolation when making an investment decision*".

Significant Factors Affecting the Results of Operations of the Group

General Economic and Industry Conditions

Our business is dependent on the demand for high-end furniture and lighting products, especially in Europe and North America, which make up a significant portion of our revenue. Demand for our products is in part affected by general economic conditions, consumer confidence and spending patterns. Additionally, the COVID-19 pandemic has affected since the first quarter of 2020 and continues to affect global macroeconomic conditions, impacting global consumer confidence and GDP growth. All of the markets in which we operate have been adversely impacted by the COVID-19 pandemic. See "*—COVID-19*" below and "*Risk Factors—Risks Related to Our Business—The COVID-19 pandemic has adversely affected and is expected to continue to pose risks to our business, financial condition, results of operations and cash flows, and other epidemics or outbreaks of infectious diseases may have a similar impact*". Changes in general economic conditions directly impact the levels of spending by consumers and businesses on discretionary products, such as high-end furniture and lighting solutions. See "*Risk Factors—Risks Related to Our Business—We are affected by general economic conditions worldwide, and unfavorable economic conditions could result in a decline in the demand for our products and a material adverse effect on our financial performance".* According to the Industry Report, the global market has grown approximately 4% in each of 2018 and 2019, from a size of approximately €35 billion in retail value in 2017 to approximately €38 billion and after a decrease in 2020, it is expected to rebound in 2021. In addition to being positively affected by improving global economic conditions following the crisis, the high-end design market has also generally benefited from a growing population of luxury consumers and from the "westernization" of Asian consumers' taste, which has further contributed to the expansion of certain high-growth Asian markets, in particular China.

For the years ended December 31, 2018 and 2019 and therefore prior to the COVID-19 pandemic, such factors, together with the growth of the global economy and of most markets where we operate, in particular Europe, positively contributed to the growth of our business. Our total revenue grew from €541.6 million for the year ended December 31, 2018 (pro forma) to €565.1 million for the year ended December 31, 2019. This was primarily due to an increase in consolidated sales across Flos, LP and B&B as compared to the prior year. Following the onset of the COVID-19 pandemic, our revenue decreased from €565.1 million for the year ended December 31, 2019 to €526.1 million for the year ended December 31, 2020. This was primarily due to Flos and B&B Italia, which experienced declines in revenue of €27.6 million and €17.6 million, respectively, for the year ended December 31, 2020, due to the impact of COVID-19, as compared to the prior year. For a description of the impact that the COVID-19 pandemic has had on our business and results of operations, please see "*—COVID-19*" below. For the year ended December 31, 2020, we estimate that, on a pro forma basis for the Acquisition, Flos would have represented approximately 31%, B&B Italia would have represented approximately 21%, Louis Poulsen would have represented approximately 18%, Maxalto would have represented approximately 5%, Arclinea would have represented approximately 4%, Lumens would have represented approximately 13%, YLighting would have represented approximately 8% and Azucena would have represented approximately 0.1%, in each case of our Aggregated 2020 Revenue. For further information, see "*Presentation of Financial and Other Information—Certain Aggregated Revenue Breakdowns of the Issuer and YDesign*".

For a description of the key drivers of growth in the high-end design market, see also "*Industry and Market Data*".

COVID-19

In the first quarter of 2020, certain governments of the countries in which we operate imposed significant lockdown and other restrictive measures in an aim to control the spread of the COVID-19 pandemic and, in doing so, temporarily disrupted our business activity. Our strong performance in 2019 and in the first few months of 2020 enabled us to enter the COVID-19 crisis from a position of financial strength; in addition, the positive performance of our business in the second half of the year, including due to our e-commerce capabilities as well as growth in the online furnishing market, limited the negative effects of the prolonged shutdowns and other restrictive measures in most of the countries in which we operate, which resulted in a 6.9% decline in our total revenues from €565.1 million for the year ended December 31, 2019 to €526.1 million for the year ended December 31, 2020.

Our Wholesale and Direct Online channels, which have well-developed e-commerce capabilities, were equipped to benefit from the accelerated shift in consumer habits to online shopping that has taken place since the onset of the pandemic. The share of revenue generated by our Wholesale and Direct Online channels increased from 68.3% during the year ended December 31, 2019 to 73.3% during the year ended December 31, 2020, while our Contract and Directly-Operated Stores ("**DOS**") experienced a decline as compared to the prior year, as our DOS were repeadetly shut for several weeks or otherwise faced reduced opening hours as a result of the measures adopted by the competent government and authorities to prevent the spread of the virus. We also experienced a decline in the demand for bespoke design and contract projects, such as large fit-outs, during the lockdown periods, given our customers in the hospitality, retail, travel industries were severely impacted by restrictions put in place following the onset of the pandemic. For more information see "*—Significant Factors Affecting the Results of Operations of the Group—Key Revenue and Cost Drivers by Sales Channel*".

The health and wellbeing of our members and staff remains of paramount importance and we are fully engaged to ensure that our stores, when open, are a safe place to work. We have implemented new standards and protocols which are being put in place across the industry. These measures, including personal sanitization, capacity limits, social distancing and abundant cleaning facilities, reduce the risk of transmission for customers and for our employees. Nevertheless, these measures resulted in additional costs of €1.7 million for the year ended December 31, 2020, such as cost for enhanced safety, measures in our plants, stores and offices, increased shipping costs, and non-reimbursable costs that we incurred for setting up fairs that were canceled. During the lockdown periods, we also incurred additional €3.1 million of costs in various locations where we operate in relation to corporate departments and services that were inactive or not effective due to the restrictions, such as warehouses and stores. Such additional costs and expenses were only partially offset by cost reduction initiatives such as reduction of discretionary spend, absence of travels and diminished marketing expenses due to the cancellation of fairs and other events. In addition, we benefitted from certain subsidies available to us as a result of the measures adopted by the governments of the countries in which we operate, including recourse to *Cassa Integrazione* in Italy, ERE in Spain and furlough in the U.S. See "*Summary—Summary Historical Financial Information and Other Data—Other Financial and Pro Forma Data*".

As of the date of this Offering Memorandum, we cannot yet foresee the full impact of the COVID-19 pandemic on our business, operations and suppliers. Such impact will also depend on future developments of the outbreak, including new information concerning the global severity of and actions taken to contain the outbreak, rollout of vaccination programs and the ability of existing or new vaccines to prevent the spread of new strains of the virus, which are highly uncertain and unpredictable. However, the effects could have a material impact on our results of operations, liquidity and capital management. See "*Risk Factors—Risks Related to Our Business—The COVID-19 pandemic has adversely affected and is expected to continue to pose risks to our business, financial condition, results of operations and cash flows, and other epidemics or outbreaks of infectious diseases may have a similar impact*".

Key Revenue and Cost Drivers by Sales Channel

We generate our revenue from sales to customers through the following four sales channels:

(i) *Wholesale.* Our wholesale channel generated 66.7%, 68.3% and 73.3% of our revenue from contracts with customers for the years ended December 31, 2018 (pro forma), 2019 and 2020 respectively. It comprises brick-and-mortar stores located around the world and online third-party retailers. In addition to these dealers, our customer base in this channel also includes distributors and agents. The end customers of the wholesale channel are highly diversified and include consumers, specifiers (e.g. architects, designers, contractors, developers, etc.) and corporate customers. Revenue generated in the wholesale channel reflects a discount on the retail price of our products, which in turn represents profit for our direct customers.

(ii) *Contract.* Our contract channel generated 24.6%, 23.9% and 19.7% of our revenue from contracts with customers for the years ended December 31, 2018 (pro forma), 2019 and 2020, respectively. It delivers bespoke design services for both residential and commercial customers, either directly or through specifiers, utilizing products from our catalogues, custom-made products and, when required, third-party products. Large "fit-out" projects in the contract channel normally generate significant revenue streams, although depending on the complexity and level of customization of each project, variable costs may be higher than in our other sales channels. In the Flos Contract channel, royalty payments are normally lower than in the Wholesale channel, as Architectural products, which are primarily sold through the Contract channel, are less subject to royalty compared to Decorative products, which are primarily sold through the Wholesale channel.

(iii) *Directly-Operated Stores* ("**DOS**"). Our DOS channel generated 6.7%, 7.2% and 6.2% of our revenue for the years ended December 31, 2018 (pro forma), 2019 and 2020, respectively. It comprises retail stores of Flos and B&B that are directly managed from our headquarters. Our customers in this channel are typically consumers and specifiers to whom we sell our products directly. Unlike the wholesale channel, we have direct pricing control in the DOS channel and so our revenue reflects the end price of our products. However, we incur fixed costs in the DOS channel in connection with our stores that we do not have in our wholesale channel. The impact that such fixed costs have on our margins primarily depends on the location, geographic area and size of the relevant DOS.

(iv) *Direct online*. Our direct online channel generated 0.6%, 0.6% and 0.8% of our revenue from contracts with customers for the years ended December 31, 2018 (pro forma), 2019 and 2020, respectively. It consists of e-commerce websites selling products from each of Flos, B&B and Louis Poulsen. Our customers in this channel are typically consumers, architects and designers to whom we sell our products directly. We have direct pricing control in our online channel, as we do in our DOS channel, and our revenue reflects the end price of our products. Moreover, online sales do not require the operation of a physical store and delivery costs are normally paid by the customers. We expect that the online channel will represent an increasingly important channel for the sale of our products, also as a result of the creation of a specialized e-commerce platform encompassing all of our brands, which we expect to roll out in the third quarter of this year. See "*Summary—Our Strategies—Develop our store network and foster growth of our online segment*".

For the year ended December 31, 2020, we estimate that, on a pro forma basis for the Acquisition, our wholesale channel would have represented approximately 58%, our contract channel would have represented approximately 16%, our online channel would have represented approximately 22% and our DOS channel would have represented approximately 5%, in each case of our Aggregated 2020 Revenue. For further information, see "*Presentation of Financial and Other Information—Certain Aggregated Revenue Breakdowns of the Issuer and YDesign*".

Research and Product Development and Technological Innovation

Maintaining the appeal of our products to existing customers and attracting new customers depends in part on our ability to reflect prevailing trends and adapt to evolving technology and customer taste. Our investments in research and product development and technological innovation have allowed us to introduce new products, or updates to existing products, that we believe are high quality, aesthetically appealing, suited to our customers' needs and technologically advanced. We continue to invest in research and product development and technological innovation. To that end, we incurred capital expenditures for the development of our products and updates to existing products of €1.2 million, €10.5 million and €10.0 million for the years ended December 31, 2018, 2019 and 2020, respectively (see also "*—Capital Expenditure*").

Product development costs are also driven by changes in technology, particularly within our lighting businesses. For example, a key focus in the lighting industry in recent years has been the transition to LED technology, and most of Flos and Louis Poulsen's products are now LED-compatible. Although the trend towards LED products provides benefits (e.g. lower manufacturing costs, ease of large-scale production and high versatility), the transition to LED required a significant product development effort and investment over several years, starting from approximately 2010.

Despite the continuing popularity of some of our older iconic designs that represent a significan portion of our revenues, key drivers of our results of operations remain the rate at which we are able to introduce new products across all of our brands and the related investments in product development we are required to make. We estimate that we generated 36.1% of our revenue from contracts with customers for the year ended December 31, 2020 from the sale of products which each of Flos, B&B and Louis Poulsen introduced during the last five years.

Advertising, Marketing and Promotional Expenses

Advertising, marketing and promotional expenses reflect the costs of building up the new catalogue of products ahead of product launches and, more generally, tends to increase in connection with key design industry events. Historically, such events occur in the spring and include the Salone Internazionale del Mobile, held in Milan every April (except April 2020 and April 2021 as a consequence of the COVID-19 pandemic) and of particular importance for B&B. Other key lighting and luxury design fairs include Euroluce, held biennially within the Salone Internazionale del Mobile in Milan, Light + Building, held biennially in Frankfurt, and ICFF, held annually in New York. Louis Poulsen's advertising, marketing and promotional expenses also vary throughout the year based on its product development cycle, which is focused on the introduction of new products every September and February (see "*—Significant Factors Affecting the Results of Operations—Seasonality*"). During the internal preparation phases that precede each new product launch phase, advertising, marketing and promotional expenses are normally higher as prototypes are developed, supply chains are engaged, production lines are prepared and marketing content is deployed to the sales force. Since the onset of the COVID-19 pandemic, key design industry events have been cancelled and we have had to adapt our product launch processes in order to comply with COVID-19 related government restrictions, leveraging digital marketing tools and online communication which replaced in person events. As a result, the amount of Advertising, Marketing and Promotional Expenses for the year ended December 31, 2020 was approximately €16 million, decreasing by 20.1% compared to the previous year.

Product and Business Line Mix

Our results of operations are in part affected by the mix of products and brands that we sell, as different brands, and different products and collections within each brand, can carry different price points, entail different production, marketing and distribution costs and generate different gross margins.

For example, Flos' Decorative business line (Flos' largest contributor to total revenue) normally delivers Flos' highest gross industrial margins (i.e. revenue after deducting cost of goods sold and other direct industrial costs). Flos' Architectural and Outdoor business lines' gross margins are typically moderately lower, although gross margins in the Architectural business line may vary quite significantly from project to project, depending on, among other things, the location, size and complexity of the project and the related industry (*e.g.* fashion luxury, hospitality, retail, sports and leisure, airports, etc.).

At the contribution margin level (i.e. after deducting the variable selling costs) all of Flos' business divisions deliver similar profitability levels, as the Decorative division normally incurs higher variable selling costs than the other divisions, typically related to royalties and transportation costs. In addition, sales generated by Flos DOS, which contribute to Flos' total revenue only to a very limited extent (1.9% in 2020), may yield higher or lower gross margins than Flos' wholesale channel, primarily depending on the performance of the individual store, as well as the impact of the fixed costs associated with the leases of the real estate property where Flos stores are located which vary by market and size of the individual store. In addition, gross margins in the wholesale channel are impacted by the wholesalers' profit and, to the extent applicable, the relevant agents' or distributors' commissions, which are not applicable in the retail channel where Flos sells directly to consumers.

Similarly for LP, indoor products normally deliver the highest gross margins, especially when sold through the B2C division, whereas gross margins for outdoor products (which generated more than half of LP's B2B revenues for the year ended December 31, 2020) and non-decorative products (i.e. architectural lighting products, both indoor and outdoor) are usually moderately lower. Sales of third-party products, primarily produced by Targetti, Focus Lighting and Prolicht, auxiliary products (*e.g.,* poles for post tops), other components and services (*e.g.,* freight), which are normally associated with the B2B division, are only residual and tend to generate the lowest margins.

For B&B, upholstered furniture, including sofas, armchairs, chairs and beds, generate the majority of B&B's revenue and are also the products that generate the highest gross margins, primarily because production occurs on an industrial scale through cost-efficient manufacturing processes (such as the application of polyurethane extrusions to a metal skeleton in a mold). Among the B&B furniture brands, Maxalto products have a higher price point than B&B Italia products primarily due to the different brand positioning of Maxalto and the exclusive materials utilized in the Maxalto collections (such as special leathers and precious wood), and normally generate higher gross margins, notwithstanding the higher production costs mostly deriving from the supply of such materials. Sales of B&B Italia non-upholstered products for living room and bedroom are normally associated with lower gross margins than any other B&B products, as production is often customized, which results in higher production costs.

The sales channel or business division through which B&B products are sold may also impact B&B gross margins. Normally, the Contract division, and especially the so-called "fit out" projects where customers require turnkey delivery of interiors, floorings and installations, yield lower gross margins than the Home division, mainly due to the high costs associated with the planning and preparatory phases of the relevant project, which may take several months depending on the complexity of the project, and with the customization of the products. However, Contract projects often provide for cross-selling opportunities and synergies with the rest of B&B's

business and offer an opportunity to showcase B&B's capabilities. Sales generated by B&B DOS may yield higher or lower gross margins than those generated through the wholesale channel, primarily depending on the performance of the individual store, as well as the impact of the fixed costs associated with the leases of the real estate property where B&B stores are located, which vary by market and the size of the individual store. In addition, gross margins in the wholesale channel are impacted by the wholesalers' profit and, to the extent applicable, the relevant agents' or distributors' commissions, which are not applicable in the retail channel where B&B sells directly to consumers.

For the year ended December 31, 2020, we estimate that, on a pro forma basis for the Acquisition (with YDesign's net sales from lighting (indoor) and living room & bedroom amounting to approximately 79% and 21% of YDesign's net sales, respectively), lighting (indoor) would have represented approximately 58%, lighting (outdoor) would have represented approximately 7%, living room & bedroom would have represented approximately 23%, kitchen would have represented approximately 4%, outdoor furniture would have represented approximately 4% and other minor products would have represented approximately 4%, in each case of our Aggregated 2020 Revenue. For further information, see "*Presentation of Financial and Other Information—Certain Aggregated Revenue Breakdowns of the Issuer and YDesign*".

Geographic Mix

Through our Flos, LP and B&B businesses, we have significant geographic diversity of sales that includes Europe, North America and the Asia Pacific region.

We operate directly or indirectly in approximately 140 countries. In the year ended December 31, 2020, we generated 69.4%, 14.4%, 14.7%, and 1.6% of our revenue, respectively, in Europe, North America, APAC, and the rest of the world. Following the acquisition of YDesign, we expect our geographic mix to reflect a higher contribution of the North American area, as the YDesign Group sells products primarily to customers in the U.S. and Canada. For the year ended December 31, 2020, we estimate that, on a pro forma basis for the Acquisition, Europe would have represented approximately 55% (comprised of approximately 11% in respect of Italy and approximately 44% in respect of rest of Europe), North America would have represented approximately 32% and APAC and others would have represented approximately 13%, in each case of our Aggregated 2020 Revenue. For further information, see "*Presentation of Financial and Other Information—Certain Aggregated Revenue Breakdowns of the Issuer and YDesign*". For more information, see "*Our Business—Our Strategies—Expand our geographic reach*".

New Product Launches

Alongside the production and sale of our historical best-selling design icons, we continuously develop new products and designs or update historical products and designs (*e.g.,* by introducing new upholstery materials for B&B) to adapt to the gradual evolution of customer tastes, thereby reducing our exposure to risks inherent in changing customer preferences.

For example, we have focused on increasing B2C revenue within the existing point of sale network for LP through a program of accelerated product launches, consisting of both introductions of new product families and extensions of existing product lines, coupled with a significant decrease of the average time to market between product development and launch. LP's B2B division has benefited from the increased focus on product innovation in the B2C division, as both divisions have common themes and the accelerated product development program has primarily been focused on Indoor products that are distributed across both divisions.

Several of the new product families introduced in recent years by LP target the underpenetrated affordable luxury segment, balancing the previously luxury-focused portfolio and enabling LP to diversify its customer base and reach a new category of customer previously unlikely to purchase its products. Existing product lines were also extended and limited editions produced in order to modernize iconic products, while simultaneously renewing interest in original versions.

Between 2018 and 2020, Flos, LP and B&B launched approximately 16, 14 and 22 new products (including extensions of existing product lines) on average each year. Most launches have been highly successful and this strengthened focus on product development has been a primary contributor to growth in revenue.

Investments in Communication, Marketing and Sales Organizations

We focus our communication and marketing efforts on four main areas: brand experience, sales support, B2B relationships and B2C relationships. We have invested and continue to invest in communication and marketing as a key part of our business strategy. Over the periods under review, several initiatives have been implemented to increase efficiency and maximize the reach of our sales and marketing functions. Such initiatives, most of which are still ongoing, have led, among other things, to the establishment of dedicated sales organizations serving a number of key markets, with the result that most of the markets in which we are present now have dedicated sales organizations, internal marketing divisions, with an increase in the number of full-time employees in marketing and digital marketing functions as well as e-commerce departments. Since the beginning of 2020, marketing functions are coordinated across the brands by a Group Head of Marketing. In addition, e-commerce initiatives are supported by a Group Head of E-commerce since February 2021, who will direct the rollout of a state-of-the-art e-commerce platform with dedicated organization, which will be unified across our brands.

Significant efforts were made also on improving the organization of the sales teams for the B2B and B2C business divisions. A "SalesForce" customer relationship management ("**CRM**") system was implemented at Group level, to enable performance management of the sales teams and the results have been used to develop a sales excellence initiative, which has narrowed the scope of our B2B sales teams activities, allowing them to focus on the day-to-day sales projects. The sales excellence initiatives, the main aim of which is to increase the efficiency and effectiveness of our salesforce by way of, for example, sharing information on contracts and pipelines of new offers among all of our brands and across geographies through a centralized infrastructure coordinated by the Group Head of Contract.

In addition, we strengthened our digital marketing strategy as our companies increasingly have focused on social media, with interactions with followers growing rapidly in size and significance. LP's followers on Instagram increased from approximately 150,000 as of September 2018 to over 340,000 as of April 2021, and followers on Facebook reached nearly 83,000 in April 2021 compared to approximately 65,000 in September 2018. Flos' social network accounts have one of the largest supporter bases among Italian design companies, comprised of approximately 900,000 followers across its social media accounts as of the date of this Offering Memorandum (including Facebook, Instagram, LinkedIn, Pinterest and Twitter). The Flos corporate website also receives high traffic, recording approximately 3.4 million visits in the year ended December 31, 2020.

In 2021, we will continue our strategy of integrating Flos, B&B and LP by opening two multi-brand and multifunctional D-Studio flagships in Copenhagen and Milan, which will offer a cross-brand experience of design and purchase both to the end customer and to the architectural and design community.

For additional information on such focus areas, see "*Our Business*".

Expansion of Third-Party Points of Sale Network

In the periods under review, we also upgraded our traditional wholesale distribution network, by leveraging innovative marketing formats and tailored digital tools. In particular, our strategy in respect of wholesale channel focuses on increasing the number of mono-brand shops and enhancing the shop-in-shop experience of our customers.

Between 2018 and 2020, we expanded into new third-party multi-brand points of sale through a combination of increased penetration of existing markets and entering new markets, particularly in Western Europe and the APAC region. In addition, in 2020, we upgraded certain of our third-party multi-brand points of sale with new in-store concepts that were introduced to support increased sales per store.

Price Increases and Cost Efficiency Measures

Flos, B&B and LP normally increase the prices of their products on an annual basis at levels that are considered reasonable, are generally higher than inflation rates and take into account a number of factors, including inflation, increases in sourcing costs, fluctuations of the exchange rate of the currencies of the various destination markets.

In addition to price increases, over the periods under review, Flos, LP, and B&B implemented a number of improvements across the supply chain targeted at reducing costs and operating expenses, ultimately resulting in higher margins. These improvements include, among other things, an increase in outsourced production for certain high-volume products, renegotiation of supply contracts with certain key suppliers of raw materials and product components, streamlining the supplier base and reducing packaging costs.

In addition, B&B has recently started improving the technological status at its production facilities. In particular, it upgraded technology in Caldogno (Italy), aiming to increase productivity and volumes of both the Arclinea kitchen and wardrobes and in Novedrate and Misinto (Italy) with the goal of increasing productivity and sales level of B&B Italia and Maxalto upholstery and furniture.

Digitalization of Business Model

All our Group companies have embraced digital transformation to position us as a digital cutting-edge organization in our industry and markets.

Our use of digital technologies aims to create more effective business relationships with our customers (such as dealers, end-customers, and specifiers), enhance customer experience in line with evolving market expectations and customer habits, offer innovative design services to customers through a data-driven, client-centric relationship approach.

Since 2020, we have started deploying a two-level organization, with certain key digital competences shared at Group level and existing IT competences reinforced at the level of each of the Group companies. In particular, our activities have focused on:

(i) increasing the automation process through the use of the CRM platform, which enables us processing data to create, among others, tailored marketing campaigns;

(ii) simplifying the IT application of each of our companies, including by using the same SAP ERP platform across the companies focusing on the lighting business (LP and Flos) and the same Oracle platform across the companies focusing on the sale of furniture (B&B Italia and Arclinea);

(iii) introducing a common platform for the entire Group’s e-commerce applications; and

(iv) developing advanced configurator systems, that allow both B2B and B2C customers, distributors and specifiers to create their customized products online, thereby requiring the adoption of a common platform at Group’s level.

In addition, our companies have made continuous progress on the digitalization of their business model, by expanding the geographical reach and access of their corporate websites and e-commerce platforms.

Supply Chain and Sourcing

For the Flos brand, we outsource almost all of our manufacturing requirements to carefully selected third-party assemblers, with part of production on a make-to-order basis in order to preserve cost efficiencies given the wide range of techniques and materials required for the manufacture of Flos products. Within the Decorative and Architectural divisions, manufacturing is mostly outsourced and assembly is almost entirely outsourced. The outsourcing of most manufacturing processes lowers Flos’ fixed cost base, which results in high operational and financial flexibility, as Flos may adapt to customer demand by increasing or decreasing production, without a significant impact on margins. Approximatively 58% of the cost base of

Flos for the year ended on December 31, 2020, is variable. Flos' key variable costs include sourcing costs (*i.e.* costs for electronic components, raw materials (*e.g.* glass, plastic, iron, stainless steel and aluminium), painting processes, product assembly and costs for the purchase of finished goods from Asia), royalties and commissions paid to designers and agents, respectively, and transportation costs.

Flos contracts with a diverse group of non-exclusive suppliers to provide the raw materials and finished products it requires. Suppliers and assemblers are carefully selected mainly according to their technical capacity, quality, financial stability and cost and are usually located in close proximity to Flos' facilities to minimize transaction costs and lead times. Flos contracted with approximately 650 suppliers in 2020, with no one supplier accounting for more than 5% of total sourcing value.

Fluctuation of raw material and components prices affects Flos' business to a limited extent. The cost of raw materials and components normally represents a relatively small portion of the price of Flos' products and Flos has historically been able to pass any such increases on to customers.

For the Louis Poulsen and B&B brands, we outsource certain manufacturing processes to carefully selected third-party assemblers, with the majority of B&B production being made on a make-to-order basis in order to preserve cost efficiencies given the wide range of techniques and materials required to manufacture B&B's furniture. The outsourcing of some manufacturing processes reduces Louis Poulsen's and B&B's fixed cost base, which results in high operational and financial flexibility. For the year ended December 31, 2020, approximately 51% of the cost base of Louis Poulsen and B&B is variable, and includes sourcing costs (i.e. costs for components, raw materials such as glass, plastic, iron, stainless steel and aluminium, external processing, and costs for the purchase of finished goods), royalties and commissions paid to designers and agents and transportation costs.

Fluctuation of prices for raw materials and components does not materially affect Louis Poulsen's and B&B's business, as the cost of raw materials and components usually represents a relatively small portion of the price of Louis Poulsen and B&B products and we have historically been able to pass these increases on to customers.

Seasonality

For the past three years and in line with historical trends, Flos, Louis Poulsen and B&B generated a substantial part of their annual revenue and their EBITDA in the second half of the year (especially in the last quarter of the year), as B2C product purchases and associated revenues normally peak in connection with black Friday in November and the Christmas holiday season. As a result of higher sales volumes in the third and fourth quarters of the year, our EBITDA margins for these periods are higher than for the first half of the year.

Factors affecting the comparability of our results of operations

Purchase Price Allocation following the acquisition by the Issuer of Flos, B&B and Danish Holdco in 2018

As part of the purchase price allocation ("**PPA**") following the acquisition by the Issuer of Flos, B&B and Danish Holdco on November 22, 2018, we allocated €52.5 million to increase in inventory. In particular, pending an independent assessment on the acquired assets and liabilities, which was completed in 2019, our financial statements for the year ended December 31, 2018 were based on provisional valuations of the fair value of intangible assets and inventories. As such, the 2019 Consolidated Financial Statements include comparative consolidated financial statements for the year ended December 31, 2018 as restated to reflect the final assessment on the fair value of the acquired assets and liabilities (see Note 1.3 to the 2019 Consolidated Financial Statements).

Out of the €52.5 million surplus identified in the inventory as part of the PPA process, €45.5 million negatively impacted our profit and loss statement (on a non-cash basis) for the year ended December 31, 2019 through the reversal of such surplus under the line item "*Purchases of* *raw materials and variation in inventories*". Excluding this effect and the corresponding opposite tax effect of €12.4 million, our net result for the year ended December 31, 2019 would have been positive at €23.5 million, as opposed to a loss of €9.6 million. As a result, the comparability of our results between the year ended December 31, 2019 and the years ended December 31, 2020 and December 31, 2018 (the latter being negatively impacted by €7.0 million out of the €52.5 million inventory surplus) is limited. Our Adjusted EBITDA for the year ended December 31, 2019 presents a positive €45.5 million adjustment to neutralize such negative impact due to the PPA allocation on our profit and loss statement for such year. See "*Summary—Summary Historical Financial Information and Other Data—Other Financial and Pro Forma Data*".

Key Income Statement Items

Revenues from contracts with customers

Revenues are stated net of returns, allowances, discounts and premiums, as well as taxes directly related to the sale of goods or provision of services, in compliance with the accruals and prudence concepts. Revenues from the sale for the goods are recognized when the production process for the goods has been completed and the exchange has already taken place, upon the substantial rather than formal transfer of title, with the transfer of risks and benefits being the key parameter. Revenues from the provision of services are recognized once the services have been provided. In connection with long-term contracts, revenues are recognized only once the relevant project is completed.

Other revenues and income

Other revenues and income represents non-core business activities, including sundry revenues, rental income, insurance repayments, revenue for transport, capital gains from asset disposals and other items.

Purchases of raw materials and variation in inventories

Purchases of raw materials and variation in inventories includes costs associated with the supply of materials, components, semi-finished or finished products and other goods used for operating purposes. Inventory items whose estimated realizable value based on market trends is lower than their carrying amount are written down, with a corresponding negative impact on the income statement.

Personnel costs

Personnel costs represent wages and salaries (including to members of the board of directors), social security contributions, employee severance indemnities and pensions, as well as other personnel costs incurred in the ordinary course of business.

Service costs

Service costs includes costs incurred in connection with production services, such as costs for subcontracted production work, maintenance and ancillary costs, transport and customs costs, commercial services, such as fees and royalties for advertising and communications, administrative services, such as fees paid to certain corporate bodies (e.g., statutory auditors), independent auditors and other professional consultants, and other minor services.

Provisions

Provisions represent amounts set aside for pension funds and business risks.

Other costs and charges

Other costs and charges primarily represent property rents and rental and leasing fees, as well as other administrative costs.

Amortization, depreciation and impairment

Amortization, depreciation and write-downs represent depreciation charges on tangible assets, amortization charges on intangible assets and other write-downs. Depreciation is booked monthly on a straight-line basis starting from the month when the asset is available for use or potentially able to provide the economic benefits associated with it. Intangible fixed assets are amortized along their useful life, with the amortization period and method reconsidered at least at the end of each year. Profits or losses arising from the elimination of an intangible fixed asset are measured by the difference between the net revenue of the disposal and the book value of the intangible asset, and are recognized on the profit and loss statement of the year in which the elimination occurs. Financial assets are tested for impairment at every balance sheet date with write-downs recorded in the profit and loss statement when a loss event takes place that has an impact on the future estimated cash flows of the financials assets, if such impact can be reliably estimated.

Operating result

Operating result represents the difference between revenues from sales and services and operating costs including amortization and depreciation (without the effects of applying IFRS 16) and non-recurring costs excluding financial non-recurring costs and charges.

Non-recurring costs and revenues

Non-recurring costs and revenues consist of positive and negative components connected to transactions whose occurrence is non-recurrent or from those operations or events that do not occur frequently in the usual course of business.

Financial income

Financial income represents dividends received on financial investments, interest income (including interest income on receivables from group enterprises), net capital gains on securities, payables and transactions in foreign securities, amortization of financial assets and tax relief.

Financial charges

Financial charges represent interest expenses (including on payables to group enterprises), net capital losses on securities, payables and transactions in foreign currencies, amortization of financial liabilities and tax surcharges.

Income taxes

Current income taxes represent current tax and changes in deferred tax for the period. Tax recognized in the income statement is the portion of tax attributable to the profit for the period.

Year ended December 31, 2020 compared to the year ended December 31, 2019.

(in € million)	Year ended December 31, 2019(1)	2020	Change (€)	(%)
Revenues from contracts with customers	555.9	520.6	(35.3)	(6.4)
Other revenues and income	8.3	5.3	(3.0)	(36.1)
Revenue related to Design Holding	0.9	0.2	(0.7)	(77.8)
Total revenues	**565.1**	**526.1**	**(39.0)**	**(6.9)**
Purchases of raw materials and variation in inventories	(218.7)	(154.2)	(64.5)	(29.5)
Personnel costs	(112.3)	(109.2)	(3.1)	(2.8)
Service costs	(125.4)	(116.5)	(8.9)	(7.1)
Service costs related to Design Holding	(10.0)	(5.1)	(4.9)	(49.0)
Provisions	(3.1)	(2.0)	(1.1)	(35.5)
Other costs and charges	(13.0)	(8.2)	(4.8)	(36.9)
Total costs	**(482.5)**	**(395.2)**	**(87.3)**	**(18.1)**
Amortization, depreciation and impairment	(31.2)	(33.6)	2.4	7.7
Financial income	2.1	2.0	(0.1)	(4.8)
Financial charges	(57.6)	(57.9)	0.3	0.5
Result before tax from continuing operations	**(4.1)**	**41.4**	**45.5**	**1,109.8**
Income taxes	(4.9)	(18.3)	(13.4)	(273.5)
Net result from continuing operations	**(9.0)**	**23.1**	**32.1**	**356.7**
Net profit of discontinued operations	(0.6)	(0.5)	0.1	16.7
Profit/(loss) for the period	**(9.6)**	**22.6**	**32.2**	**335.4**

(1) The consolidated profit and loss data for the year ended December 31, 2019 have been derived from the corresponding comparative column in the 2020 Consolidated Financial Statements (and not from the 2019 Consolidated Financial Statements), which reclassified certain profit and loss line items in the 2019 financial statements for the purpose of presenting the transactions between the Issuer and its direct parent company, Design Holding, separately from the rest of the Issuer's financial information. For additional information, see "*Presentation of Financial and Other Information*".

Revenues from contracts with customers

Revenues from contracts with customers decreased by €35.3 million or 6.4% from €555.9 million for the year ended December 31, 2019 to €520.6 for the year ended December 31, 2020. This was mainly due to a decline in revenues as a result of COVID-19, which negatively impacted our B2B clients in the hospitality, retail, travel and office industries, typically catered to by Flos and B&B Italia. The decrease in Flos' and B&B's revenue was partially offset by higher revenues generated by Louis Poulsen, which was allowed to continue operating its factories due to the less restrictive measures adopted by the Danish government to reduce the spread of COVID-19, as compared to most other European countries. Revenue from our DOS channel decreased mainly as a result of the closure of our shops or restrictions to opening hours imposed by governments in most of the countries in which we operate. Similarly, the Contract channel was negatively affected by uncertainty on the evolution of the pandemic, which led to temporary postponement of new projects. While our revenues from non-European markets (including North America and APAC) decreased in 2020 compared to the previous year, including as a result of lower revenues from Flos' Architectural and Contract divisions, revenues generated in Europe remained substantially stable, including as a result of the resilience of northern European markets, which contributed to Louis Poulsen positive performance.

Revenue Breakdowns by Brand, Sales Channel and Geographical Area

The tables below present our revenue breakdowns by brands, sales channel and geographical area for the years ended December 31, 2019 and 2020.

Revenue Breakdown by Brand

(in € million)	Year ended December 31, 2019	Year ended December 31, 2020
Flos	231.3	203.7
B&B	213.4	195.8
LP	112.8	122.3
Eliminations	(0.7)	(1.0)
Total[(1)]	**556.8**	**520.8**

(1) Revenue breakdown by brand is presented as Revenue from contracts with customers and Revenue related to Design Holding that is generated by each brand.

Revenue Breakdown by Sales Channel

(in € million)	Year ended December 31, 2019	Year ended December 31, 2020
Wholesale	379.6	381.9
Contract	133.0	102.6
DOS	40.1	32.2
Online	3.2	3.9
Total[(1)]	**555.9**	**520.6**

(1) Revenue breakdown is presented as Revenue from contracts with customers generated by each sales channel.

Revenue Breakdown by Geographical Area

(in € million)	Year ended December 31, 2019	Year ended December 31, 2020
Europe	362.8	361.1
North America	99.8	74.9
APAC	81.9	76.3
MENA[(1)] and other	11.4	8.3
Total[(2)]	**555.9**	**520.6**

(1) Middle East and North Africa.

(2) Revenue breakdown by geographical area is presented as Revenue from contracts with customers generated in each geographical area.

Other revenues and income

Other revenues and income decreased by €3.0 million or 36.1% from €8.3 million for the year ended December 31, 2019 to €5.3 million for the year ended December 31, 2020. This was mainly due to a decline in revenues from the performance of other services (e.g., transportation costs and installation fees) and a decrease in sundry insurance reimbursements compared to the prior year.

Purchases of raw materials and variation in inventories

Purchases of raw materials and variation in inventories decreased by €64.5 million or 29.5% from €218.7 million for the year ended December 31, 2019 to €154.2 million for the year ended December 31, 2020. Purchases of raw materials and variation in inventories for 2019 was higher due to (i) the reversal of the surplus values attributable to inventory as part of the purchase price allocation (PPA) relating to the business combinations completed in 2018 and (ii) reduced volumes in the purchase of raw materials and changes in inventories of work in progress due to lower sales as a result of the COVID-19 pandemic.

Personnel costs

Personnel costs decreased by €3.1 million or 2.8% from €112.3 million for the year ended December 31, 2019 to €109.2 million for the year ended December 31, 2020. Personnel costs decreased notwithstanding the increase in the average number of our employees to 1,704 employees for the year ended December 31, 2020, compared to 1,688 employees for the prior year.This was mainly due to reduced operating hours mandated by governments to contain the spread of the COVID-19 pandemic and the use of social security contributions and subsidies from the governments of the countries in which we operate (including Italy, Spain and the U.S.).

Service costs

Service costs decreased by €8.9 million or 7.1% from €125.4 million for the year ended December 31, 2019 to €116.5 million for the year ended December 31, 2020. This was mainly due to a reduction in outsourced production work, lower costs related to marketing in connection with fairs and exhibitions, lower management fees and other costs owed to Design Holding and reduced travel and lodging expenses following the imposition of COVID-19 related travel restrictions.

Provisions

Provisions decreased by €1.1 million or 35.5% from €3.1 million for the year ended December 31, 2019 to €2.0 million for the year ended December 31, 2020. This was mainly due to a reduction of both the provisions for other risks and the provisions for other charges as a result of the estimated lower risk of litigation and fees and expenses in relation thereto. Such reduction in the provisions for other risks and other charges were only partially offset by increased provisions for pension liabilities.

Other costs and charges

Other costs and charges decreased by €4.8 million or 36.9% from €13.0 million for the year ended December 31, 2019 to €8.2 million for the year ended December 31, 2020. This was mainly due to a reduction in costs related to property services, short term leases, rent and EDP license fees and sundry and general expenses as a result of reduced operating activity due to the COVID-19 pandemic.

Total costs

Total costs decreased by €87.3 million or 18.1% from €482.5 million for the year ended December 31, 2019 to €397.2 million for the year ended December 31, 2020 due to the factors discussed above, primarily (i) the one-off effects in 2019 of the reversal of the surplus values attributable to inventory as part of the purchase price allocation (PPA) relating to the business combinations completed in 2018 and (ii) our proactive and timely management of costs following the onset of the COVID-19 pandemic.

Amortization, depreciation and impairment

Amortization, depreciation and impairment increased by €2.4 million or 7.7% from €31.2 million for the year ended December 31, 2019 to €33.6 million for the year ended December 31, 2020. This was mainly due to increased depreciation of both tangible assets and right of use assets (i.e. leases), along with certain increased impairment of receivables.

Financial income

Financial income slightly decreased by €0.1 million or 4.8% from €2.1 million for the year ended December 31, 2019 to €2.0 million for the year ended December 31, 2020 and mainly comprises exchange gains relating to foreign exchange transactions.

Financial charges

Financial charges increased by €0.3 million or 0.5% from €57.6 million for the year ended December 31, 2019 to €57.9 million for the year ended December 31, 2020 and mainly comprise interest expenses related to the Existing Notes.

Result before tax from continuing operations

Result before tax from continuing operations increased by 45.5 million from negative €4.1 million for the year ended December 31, 2019 to €41.4 million for the year ended December 31, 2020. This was mainly due to the sum of the abovementioned factors, including reduced costs for purchases of raw materials and variation in inventories, personnel costs, service costs and other costs and charges.

Income taxes

Income taxes increased by €13.4 million or 273.5% from €4.9 million for the year ended December 31, 2019 to €18.3 million for the year ended December 31, 2020. This was mainly due to lower deferred income tax in 2019 caused by the reversal of the surplus values attributable to inventory as part of the purchase price allocation (PPA) relating to the business combinations completed in 2018.

Profit for the period

Profit for the period increased by €32.2 million or 335.4% from a loss of €9.6 million for the year ended December 31, 2019 to a gain €22.6 million for the year ended December 31, 2020 due to the factors discussed above, primarily the €45.5 million one-off effects in 2019 of the reversal of the surplus values attributable to inventory as part of the purchase price allocation (PPA) relating to the business combination completed in 2018, slightly offset by an increase in taxes of €13.4 million.

Year ended December 31, 2019 compared to the year ended December 31, 2018 (pro forma).

Reclassified Income Statement of the Group (€ in million)	2018 Pro forma	2019	Change (€)	Change (%)
Total revenues	**541.6**	**565.1**	**23.5**	**4.3**
Total costs(1)	**(468.4)**	**(482.5)**	**14.1**	**3.0**
Adjusted EBITDA(2)	125.4	127.2	1.8	1.4

(1) Total costs include €33.5 million of management buy out costs and €15.5 million of transaction costs in connection with the acquisition by the Issuer of each of Flos, B&B and Danish Holdco, completed in 2018.

(2) "**Adjusted EBITDA**" is defined as net income (loss) for the period excluding the effect of income taxes, net financial expenses (income), net financial chanrges and amortization and depreciation,as adjusted for certain non-core and non-recurring items occurred in the relevant period, further adjusted for the year ended December 31, 2019 to remove the impact of IFRS 16 and the associated interest expense.

Total revenues

Total revenues increased by €23.5 million or 4.3% from €541.6 million for the year ended December 31, 2018 (pro forma) to €565.1 million for the year ended December 31, 2019. This was mainly due to strong performance of the Contract and Retail DOS channels in the second half of 2019. Revenues of each of Flos, B&B and LP increased in 2019 compared to the previous year; revenues generated in Italy slightly decreased in 2019 compared to the previous year, whereas revenues generated in the rest of Europe, North America and the APAC regions increased compared to 2018, driven by good performance of both the B2B and B3C channels.

Total costs

Total costs increased by €14.1 million or 3.0% from €468.4 million for the year ended December 31, 2018 (pro forma) to €482.5 million for the year ended December 31, 2019. This was mainly due to: (i) the one-off effects of the reversal of the surplus values as part of the purchase price allocation (PPA) relating to the the business combinations completed in 2018 and (ii) higher costs for purchases of raw materials and variation in inventories and higher personnel costs, which were only partially offset by a decrease in other costs and charges. Among total costs, non-recurring costs and revenues decreased in 2019 compared to the previous year, mainly due to certain effects of the business combination that took place in 2018, which resulted in payment of management buy out bonuses, transactions costs, and reversal of amortized financing costs.

Adjusted EBITDA

Adjusted EBITDA increased by €1.8 million or 1.4% from €125.4 million for the year ended December 31, 2018 (pro forma) to €127.2 million for the year ended December 31, 2019, primarily due to the good performance of Louis Poulsen and Flos supported by improved efficiencies in operations management and sourcing processes, which offset certain operational issues relating to planning and order scheduling that affected B&B's performance in the first half of the year and which were subsequently resolved.

Liquidity and Capital Resources

Liquidity describes the ability of a group to generate sufficient cash flows to meet the cash requirements of its business operations, including working capital needs, capital expenditure, debt service obligations, other commitments, contractual obligations and acquisitions. Our liquidity requirements arise primarily to meet our debt service obligations, fund capital expenditures, including for our research and product development activities, fund salaries and other associated costs, fund acquisitions and pay taxes.

Our primary source of liquidity is our cash from operating activities. Drawings under the Revolving Credit Facility represent a supplemental source of liquidity which we could utilize from time to time primarily for working capital requirements. As a precautionary measure, we entirely drew the Revolving Credit Facility on March 17, 2020, to strengthen our cash position in the midst of the COVID-19 pandemic. However, in the fourth quarter of 2020, we fully repaid the amount drawn, and as of the date of this Offering Memorandum, the Revolving Credit Facility is fully available for drawing. In the periods under review, our debt service obligations consisted primarily of interest payments on the Existing Notes and borrowings under the Revolving Credit Facility. Following the Transactions, including the offering of the Notes and the application of the proceeds therefrom, our debt service obligations will consist primarily of interest payments on the Notes and the Existing Fixed Rate Notes and borrowings under the Revolving Credit Facility.

Although we believe that our expected cash flows from operating activities, together with available borrowings will be adequate to meet our anticipated general liquidity needs and debt service obligations, we cannot assure you that our business will generate sufficient cash flows from operations to meet these needs or that future debt or equity financing will be available to us in an amount sufficient to enable us to fund our liquidity needs, including making payments on the Notes or other debt, including the Existing Fixed Rate Notes, when due. If our cash flows from operating activities are lower than expected or our capital expenditure requirements exceed our projections, we may be required to seek additional financing, which may not be available on commercially reasonable terms, if at all. Our ability to arrange financing generally and our cost of capital depends on numerous factors, including general economic conditions, the availability of credit from banks, other financial institutions, and capital markets, restrictions in instruments governing our debt, and our general financial performance. See "*Risk Factors—Risks Related to Our Structure and Our Indebtedness—Our substantial leverage and debt service obligations could materially adversely affect our business, financial position and results of operations and preclude us from satisfying our obligations under the Notes and the Notes Guarantees*" and "*Risk Factors—Risks Related to Our Structure and Our Indebtedness—The Issuer is a holding company that has no revenue generating operations of its own and depends exclusively on cash from its operating companies, including, following the Acquisition, the Target Group*".

Cash Flow Analysis

in € million	Year ended December 31, 2019	2020
Net cash and cash equivalents at beginning of the period	**73.1**	**63.6**
Net cash flows from operating activities	44.9	69.7
Net cash flows from / (used in) investing activities	(38.7)	(20.1)
Net cash flows from / (used in) financing activities	(15.7)	(20.5)
Net cash and cash equivalents at end of the period	**63.6**	**92.7**

Net cash flows from operations

Net cash flow from operating activities increased by €24.8 million or 55.2% from €44.9 million for the year ended December 31, 2019 to €69.7 million for year ended December 31, 2020. The increase was primarily due to: (i) €11.4 million of higher decrease in trade receivables, (ii) €4.2 million of higher decrease in inventory (excluding the non-monetary effect of the purchase price allocation (PPA) relating to the business combinations completed in 2018 which impacted the net change in inventory for the year ended December 31, 2019), (iii) €1.1 million of lower financial interest paid and (iv) €1.0 million of lower income taxes paid.

Net cash flows from / (used in) investing activities

Net cash flows used in investing activities decreased by €18.6 million or 48.1% from €38.7 million for the year ended December 31, 2019 to €20.1 million for year ended December 31, 2020. The decrease was primarily due to the lack of acquisitions of non-current financial assets and non-controlling financial interests in 2020 as compared to 2019, when the Issuer acquired approximately €18 million in shares of Design Holding.

Net cash flows from / (used in) financing activities

Net cash flows used in financing activities increased by €4.8 million or 30.6% from €15.7 million for the year ended December 31, 2019 to €20.5 million for year ended December 31, 2020. The increase was primarily due to a decrease in financial payables, as a result of lower short-term debt toward banks and other lenders.

Capital Expenditure

For the year ended December 31, 2020, our capital expenditure was €22.7 million (4.3% of our revenues) primarily to fund improvements at Arclinea's plant in Caldogno and B&B's plant in Novedrate and for research and development expenditures. For the year ended December 31, 2019, our capital expenditure was €25.7 million (4.5% of our revenues), primarily to develop new products, upgrade showrooms and other facilities used for operations.

The following table shows the breakdown of our total capital expenditure for the years ended December 31, 2019 and 2020 into growth and maintenance capital expenditures:

IFRS in € million	Year ended December 31, 2019	2020
Growth	14.4	12.7
Maintenance	11.3	10.0
Total capital expenditure	**25.7**	**22.7**

As of the date of this Offering Memorandum, we expect our capital expenditure for 2021 to be approximately double the amount of our capital expenditure for 2020. We expect such increase will mainly relate to our ongoing digital transformation plan, which currently envisages the installation of a new enterprise resource planning (ERP) software for Flos, the update of LP and B&B's existing ERP software and of the Group's enterprise performance management (EPM) software, the launch of a Group-wide e-commerce platform and the improvement of the existing product configurators. We have also planned certain technical improvements at B&B's plants in

Misinto and Novedrate and the opening of two new D-Studio DOS in Copenhagen and Milan during the course of 2021. See "*Summary—Our Strategies—Develop our store network and foster growth of our online segment*".

Contractual Obligations

The following table summarizes certain categories of our contractual obligations and commitments owed to third parties (excluding any interest payments for such contractual obligations and commitments), by period, as of December 31, 2020 on an as adjusted basis after giving effect to the Transactions. The information presented in the table below reflects management's estimates of the contractual maturities of these obligations and these estimates may differ from the actual maturities of these obligations. For further information on the adjustments to give effect to the Transactions, see "*Capitalization*".

in € million	Within 12 months	From 1 to 2 years	From 3 to 5 years	Over 5 years	Total
Notes offered hereby[(1)]	—	—	—	470.0	470.0
Existing Fixed Rate Notes[(1)]	—	—	400.0	—	400.0
Leases[(2)]	9.3	7.6	15.0	15.0	46.9
Other financial debts[(3)]	1.9	2.8	—	—	4.7
Total[(4)]	**11.2**	**10.4**	**415.0**	**485.0**	**921.6**

(1) Does not reflect interest payments and unamortized portions of issuance costs.
(2) Includes financial lease obligations as of December 31, 2020, in accordance with IFRS 16.
(3) Includes payables to other lenders amounting to €3.5 million and payables to banks amounting to €1.2 million.
(4) Excludes the Revolving Credit Facility.

Contingent Liabilities

We normally provide warranties for general repairs pursuant to contracts with our customers, including in connection with LED products. Extended warranties or maintenance services are usually not provided. The amount of the provisions for such contingencies included in our financial statements as of December 31, 2020 was €3.5 million. Additionally, when we receive advance payments in connection with a project in B&B's Contract division, we may from time to time be required to provide the relevant customer with bank guarantees and/or performance bonds to protect the customer in case of our non-performance of our obligations under the relevant contractual arrangements. As of December 31, 2020, B&B bank guarantees and performance bonds given to third parties amounted to €8.5 million, €6.0 million of which related to contracts in the hospitality sector. See "*Risk Factors—Risks related to our business—We may be subject to production and litigation risks associated with our commercial contract divisions*".

Off-balance Sheet Arrangements

We are not party to any material off-balance sheet arrangements.

Quantitative and Qualitative Disclosures About Market Risk

Our activities and debt financing expose us to a variety of risks, the most significant of which are exchange rate risk, interest rate risk, credit risk and liquidity risk. Our overall risk management strategy seeks to minimize the potential adverse effects of such risks.

Interest Rate Risk

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will be changed because of changes in market interest rates. Our exposure to the risk of changes in market interest rates primarily relates to long-term debt with variable interest rates, such as the Existing FRNs and, following the Refinancing, the Notes.

Exchange Rate Risk

The exchange rate risk is the risk that the fair value or the future cash flows of an exposure will vary because of fluctuations in exchange rates. The Group's exposure to the risk of fluctuations in exchange rates arises mainly from the Group's operating activities (when revenue or costs are denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

Although the Group has a strong international presence, use of the Euro as the transactional currency for most transactions currently mitigates the risk tied to exchange rate fluctuations. The Group is mainly exposed to positions denominated in Euro, Danish Krone, Yen and U.S. Dollar; however, current volumes do not have a material impact on the Group's financial and economic results. Consequently, no analysis was carried out with respect to the Group's sensitivity to fluctuations in exchange rates. Our exposure to the fluctuation of the U.S. dollar against the Euro is expected to increase as a result of the acquisition of YDesign, which reports in U.S. dollar. In particular, YDesign's revenues for the year ended December 31, 2020 amounted to $163.2 million and the effects on our consolidated financial results are only partially offset by the fact that YDesign's costs are also denominated in U.S. dollars. In addition, in light of the fact that the consideration for the Acquisition will be in U.S. dollars whereas the portion of gross proceeds from the Notes which will be deposited into the Escrow Account pending closing of the Acquisition will be in euro, we may enter into hedging arrangements to hedge the associated exchange rate risk.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations in respect of a financial instrument or a commercial agreement, thus leading to a financial loss. The Group is exposed to the credit risk deriving from its operating activities (mostly for trade receivables and credit notes) and deposits with banks and financial institutions.

The credit risk correlated to commercial counterparties is managed by the individual subsidiaries and monitored by the Group. The Group has no significant credit risk concentrations. However, procedures are in place to ensure that sales of products and services are carried out to customers with high reliability, taking into account their financial position, past experience and other factors. Credit limits on main customers are based on internal and external valuations on the basis of thresholds approved by the head offices of the individual countries. Use of credit limits is monitored periodically. We do not deem our customer credit risk to be high; therefore, we do not hedge this risk beyond implementing ordinary credit risk management procedures and controls. There are no receivables overdue for over 12 months.

Liquidity Risk

Liquidity risk is the risk we will not have enough financial resources available to meet our financial obligations and commitments when due. In particular, the two main factors that determine our liquidity are, on one hand, the resources generated or absorbed by operating and investment activities and, on the other hand, the maturity and renewal of financial liabilities. Historically, we have put in place certain procedures aimed at optimizing cash flow management and reducing our liquidity risk, including the maintenance of an adequate level of available liquid assets and adequate borrowing facilities. We continue to monitor our liquidity risk by using a liquidity planning tool.

Significant Accounting Policies and New Accounting Standards

For a discussion of the critical accounting estimates and judgments and certain new accounting standards affecting us, please see the notes to the Consolidated Financial Statements included elsewhere in this Offering Memorandum.

IFRS 16 Leases

The Group applied IFRS 16 Leases for the first time in the year ended December 31, 2019. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

IFRS 16 was issued in January 2016 and it replaces the standards 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 Involving the Legal Form of a Lease. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of lease agreements and requires lessees to account for all lease agreement following a single accounting model in the financial statements similar to the accounting treatment of financial leases regulated by IAS 17.

The standard includes two exemptions to recognition for lessees—leases of "low value" assets (e.g. personal Computers) and short-term lease agreements (i.e. lease agreements with a lease period shorter than or equal to 12 months). At the starting date of a lease, the lessee should recognize a liability relating to lease fees (i.e. the liability for the lease) and an asset that represents the right to use the underlying asset during the duration of the lease (i.e. the right to use the asset). The Lessee should also separately recognize interest expenses on the liability for the lease and amortization on the right of use.

Lessees are also required to reconsider the amount of the liability relating to the lease upon occurrence of determined events (e.g., a change of the duration of the lease, a change of the future fees deriving from the change of an index or of the rate used to determine such payments). In general, the lessee should recognize the re-measurement difference of the amount of the lease liability as an adjustment to the right of use.

The accounting method for the lessor consistent with IFRS 16 remains substantially unchanged with respect to the current accounting policies according to IAS 17. Lessors should continue to classify all leases using the same classification principle of IAS 17 and distinguish two types of leases: operating and financial leases. IFRS 16 also requires lessees and lessors to provide broader disclosure compared to IAS 17. See also "*Description of Notes—Certain Definitions—IFRS*" and "*Description of Notes—Certain Definitions—Capitalized Lease Obligation*" for information regarding the treatment of lease accounting under the covenants to be included in the Indenture.

The Group used the exemptions proposed by the standard on lease agreements for which the term of the lease agreement expire within 12 months from the date of initial application and the lease agreements for which the underlying asset has a low value.

The multi-year duration of the agreements required the exercise of a complex professional judgement by the Corporate Management for the definition of the assumptions to be adopted for the purposes of determining the impacts connected with the new provisions of the standard. In particular, the main assumptions adopted regard:

- the assessment of the periods covered by extension or early termination options for the purposes of the determination of the duration of the lease agreement; the separation of the non-lease components;
- the assessment of the periods covered by extension or early termination options for the purposes of the determination of the duration of the lease agreement;
- the discounting rate used for determining the lease liability, represented by the incremental financing rate of the lessee. This rate was defined taking into account the duration of the lease agreements, the currency in which they are denominated and the characteristics of the economic environment in which lessees operate, defined on the basis of the country risk premium attributed to the individual countries in which the Group operates. At present, the range of these discount rates is between 4% and 5.6%.

Amendments to IFRS 16 COVID-19 Related Rent Concessions

On May 28, 2020, the IASB issued COVID-19 Related Rent Concessions—amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification.

The amendment applies to annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group. The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

INDUSTRY AND MARKET DATA

In this section, we rely on and refer to information regarding our business and the markets in which we operate and compete. Certain economic and industry data and market forecasts set forth below were extracted from market research, governmental and other publicly available information, independent industry publications and reports prepared by industry consultants, including the Industry Report. Industry reports, 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. We believe that these industry reports, publications, surveys and forecasts, to the extent quoted or referred to herein, are reliable, but we have not independently verified them and cannot guarantee their accuracy or completeness. While we accept responsibility for accurately summarizing the information from these external sources, and as far as we are aware and able to ascertain no facts have been omitted which would render this information inaccurate or misleading, we accept no further responsibility in respect of such information. Certain information in this section has also been based on our own experience, internal studies, estimates and investigations of market conditions, in some cases combined with the aforementioned external sources. We cannot assure you that any of the assumptions we have made are accurate or correctly reflect our position in the market. The information and estimates in this section involve risks and uncertainty and are subject to change based on various factors. See "Risk Factors" and "Forward-Looking Statements". Prospective investors should not place undue reliance on any forecasts presented below and should make their own independent assessment of our future prospects and the risks relating to the markets in which we operate.

Market Overview

We operate in the high-end design market, which accounted for approximately €38 billion by retail value globally in 2019.

The high-end design market is comprised of the following segments:

- Living and Bedroom: includes living room and bedroom products, such as upholstery, beds, drawers, tables, cabinets, desks, chairs and other furnishings;

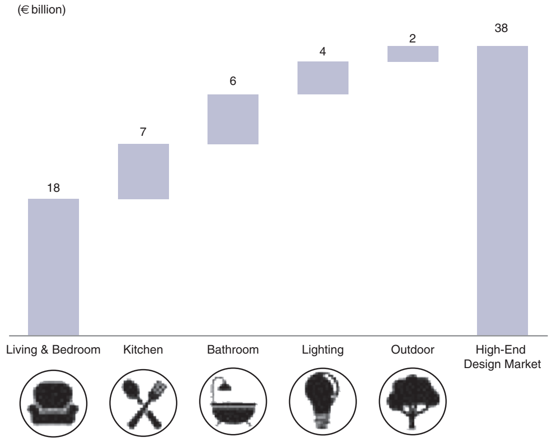
- Kitchen: includes fitted kitchens, kitchen units, cupboards and other furniture and decorative items;

- Bathroom: includes bathroom equipment products such as bath tubs, whirlpools, ceramics, bathroom furniture, sanitary fittings, faucets, shower units and related accessories;

- Lighting: includes lighting products for both indoor and outdoor use such as pendants, floor lamps, wall lamps, light fixtures, fittings and other lighting products; and

- Outdoor: includes outdoor furniture items such as tables, sofas, chairs and other items for residential and commercial use.

The segmentation of the high-end design market for 2019 is represented below.



Source: Industry Report, Management Estimates

While our product portfolio spans all segments of the high-end design market, we primarily operate in the Living and Bedroom and in the Lighting segments. Living and Bedroom represents the largest segment of the high-end design market, accounting for almost 50% of the market total value in 2019.

The distribution of high-end furniture and lighting products occurs through both direct and indirect channels:

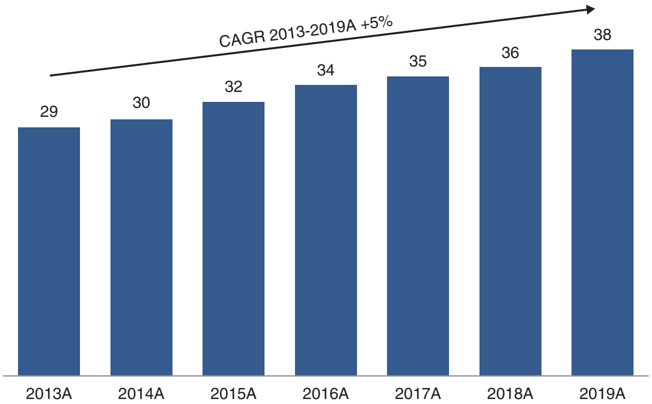
- Wholesale: includes products sold through a network of third-party distributors, agents, and dealers across a range of formats, including third-party mono-brand stores and shop-in-shops, corners and displays within multi-brand design retailers, as well as online third-party retailers, to various types of customers including personal consumers, architects, designers, contractors, developers and corporate customers;
- Retail: includes products sold directly by the producer through dedicated directly-operated stores (comparable to our DOS channel);
- Contract: includes bespoke design services for residential and commercial customers; and
- Online: includes sales through both directly operated and third-party operated e-commerce websites (in contrast to the Group's direct online channel, which only includes directly operated e-commerce websites).

The high-end design market has been growing steadily over the past few years. Between 2013 and 2019, the market grew at an average CAGR of 5% per annum, with a peak of 9% year-over-year growth in 2015. Prior to the COVID-19 pandemic, between 2018 and 2019, the market grew steadily at a 4% growth rate, accelerating from the 3% growth experienced between 2017 and 2018. While data for 2020 are still provisional, preliminary forecasts estimate a market contraction ranging between €2 billion and €3 billion, with the high-end design market reaching €35 billion to 36 billion. While the market contracted as a result of the pandemic, the following key trends emerged:

- Brand polarization: significant polarization took place across brands, with larger players leveraging on their diversification (e.g. geography, channel, product), go-to-market initiatives (e.g. e-commerce) and flexible supply chains to hedge against market contraction and smaller players being more exposed and impacted by the pandemic and less eager to leverage on the rebound of the market over the last months of 2020;
- Renewed relevance of the "home role": through the COVID-19 pandemic, homes have become the places where people spent most of their time, favoring consumer spending in the related segments, especially the Living and Bedroom and Lighting segments to which we are particularly exposed;

- Online channel acceleration: the already ongoing shift to the online channel has strongly accelerated, with many players reporting double-digit growth in their respective e-commerce channels. We expect the Acquisition will further foster our exposure to such trend; and
- Geographic diversification: the Asian high-end design market proved to be generally more resilient to the contraction in demand, replicating the pattern already observed during the financial crisis in 2008. At the same time, the United States market benefitted from less extended lock-downs and restrictions which ultimately resulted in a decreased contraction.

High-end design market (€ billion)



Source: Industry Report, Management Estimates

General Factors Affecting Our Market

Macro-economic and demographic factors

The high-end design market is characterized by a number of consumer trends that are segment-specific. However, the market is generally influenced by three key factors:

- GDP growth;
- real estate market conditions; and
- consumer confidence and disposable income.

These factors tend to affect or reflect consumer behavior towards the purchasing of lighting and furniture products. While demand for high-end design products is generally less price-elastic than for products in other segments, slowdowns in real estate development also tend to affect high-end design products' demand.

Other factors affecting market performance include demographic and socio-economic trends, such as:

- increasing urbanization rates, especially in emerging economies;
- decreasing average household size;
- improving availability of western consumer goods driven by the increasing prevalence of large organized retail chains in many large emerging economies; and
- rapid growth of middle and high-income middle classes in emerging markets, who are increasingly oriented towards sophisticated and high-end design products.

Other factors

Demand is also affected by product innovation deriving from technological advances. The introduction of LED technology in the lighting segment, for instance, has fostered the design of new products, while also lowering production costs. The efficiency of LED technology has acted as a further driver of demand, bolstered by the importance of energy saving solutions in modern projects and certifications (*e.g.* LEED).

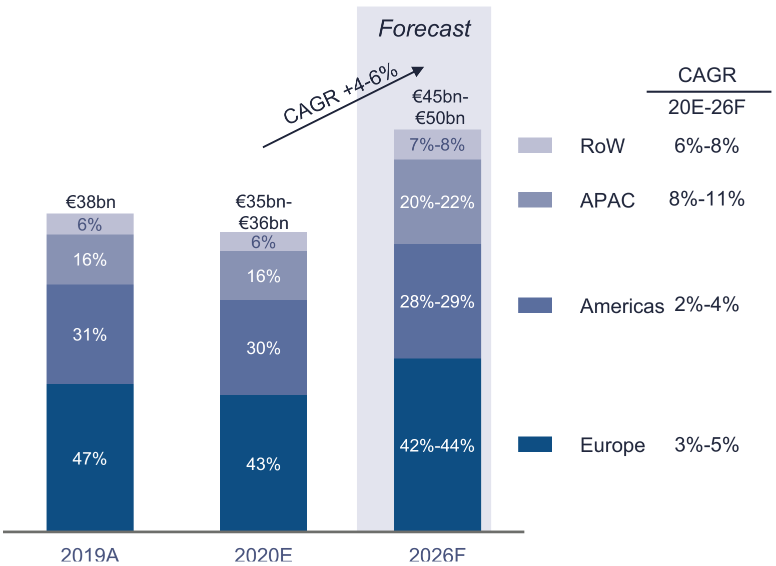
Other factors influencing demand are the availability of credit (including both the availability of financing for real estate developments and the provision of mortgage financings) and the product replacement cycle (*i.e.* the frequency with which consumers purchase replacement products). Consumer spending trends across different segments show that:

- the Lighting and Outdoor segments are generally characterized by shorter replacement cycles and lower average pricing per item (given the typically smaller size of these items); and
- the Kitchen segment is generally characterized by longer product replacement cycles and higher pricing per item.

Envisaged market evolution

Europe (including Turkey and Russia) accounts for approximately 50% of the high-end design market, the Americas (including North and South America) accounts for approximately 31%, APAC (including Asia and Japan but excluding Australia and New Zealand) accounts for approximately 16% and the Rest of the World accounts for approximately 6%. The increasing importance of the APAC region in the global high-end design market has been driven by continued demand over the last few years, mainly reflecting the economic performance of the reference economies. Less pronounced market growth in Europe in recent years has led to an increase in the relative share of APAC and the Americas in the overall market.

Rebounding GDP growth in the world's larger economies following the COVID-19 pandemic, the renewed "home role", the recovery of the real estate market coupled with historical trends such as a rising class of middle and high-income consumers in emerging markets, and the ongoing "westernization" of Asian consumer preferences are all expected to have a positive impact on future demand. As of the date of this Offering Memorandum, current trading for the first months of 2021 has already confirmed strong performance for different players both in terms of booked revenues and orders pipeline. We expect the increase in demand will be driven primarily by the APAC region, with expected growth per annum to 2026 ranging between 8% and 11%. Demand in Europe and Americas is expected to further benefit from favorable demand trends with respective expected growth per annum of 3% to 5% and 2% to 4%, respectively.



Source: Industry Report, Management estimates

Competition

We distinguish three main groups of competitors in the markets in which we operate:

- pure design, personal luxury and designer-driven brands;
- premium design brands; and
- branded retailers.

Pure design brands (including Flos, B&B and Louis Poulsen) are usually European independent players who have developed significant design heritage through a long track record of iconic products. Pure design brands are characterized by their strong design roots, collaborations with prestigious architects and designers, iconic products and international reach, primarily through multi-brand retailers, as well as by their high specialization and strong production skills. Other notable pure design brands include Artemide, Vitra, Poltrona Frau and Bulthaup.

Personal luxury brands are typically large luxury brands that have diversified into homewares. Personal luxury brands rely on their brand strength to market their products and as a result, the design of the products tends to reflect the influence of the style of the brand's creative directors. Personal luxury brands typically rely on external production and utilize a mixed distribution model, with sales through a combination of multi-brand retailers and directly operated stores. Personal luxury brands include brands such as Armani Casa, Fendi Casa, Kenzo and Versace.

Designer-driven brands are typically managed by a single iconic designer who leverage their "brand name" to generate demand. Designer-driven brands tend to position their products as a lifestyle offering, characterized by a strong identity and recognizable style. Production of designer-driven brands is typically external. Examples of designer-driven brands are Liaigre and Visionnaire.

Premium design brands are typically Lighting and Furniture retailers that either have general upper-premium positioning (with differences among geographies) or have more mainstream positioning but have extended certain product lines into the upper-premium range. This includes brands such as Ligne Roset, Cattelan Italia, Moen and Kos.

Branded retailers are typically geographically specific mono-brand retailers with an upper-premium positioning, such as Restoration Hardware, Williams Sonoma and Design Within Reach.

The degree of competition among these brands differs by geographic area. Branded retailers have had considerable success in the United States market and their significant growth over the last few years has been partially linked to the overall positive performance of the United States economy. Retailers accounted for approximately 15% of the total high-end design market by value in 2019. Pure design brands tend to be more common in the European market, but are also present in the United States market, predominantly in large cities such as Los Angeles and New York. The competitive environment in Europe remains more fragmented, with small pure design brands addressing specific customer segments or serving a specific design taste in niche markets. Personal luxury brands are more popular in emerging economies, which is where most of their revenues originate. Premium and pure design brands accounted for approximately 84% of the market in 2019.

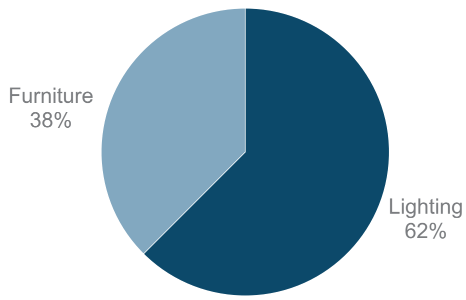
OUR BUSINESS

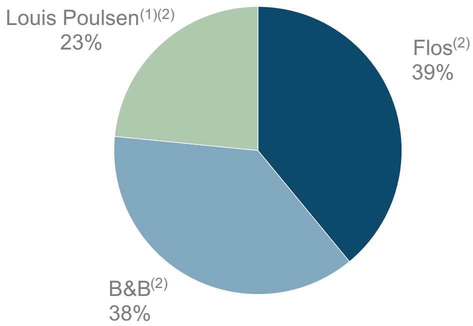
Overview

We are one of the leading global design companies in the high-end furniture and lighting markets. We design, produce, distribute and sell high-end lighting and furniture solutions, through three companies with leading market positions: Flos, an Italian lighting producer, Louis Poulsen, a Danish lighting producer, and B&B, an Italian furniture producer. With total revenue of €526.1 million, Adjusted EBITDA of €128.7 million and net profit of €22.6 million for the year ended December 31, 2020, we are one of the leading companies in the high-end design market globally. We benefit from the unique brand heritage and iconic products of each of Flos, Louis Poulsen and B&B and provide a complementary, high-end offering across a broad range of product categories, brands, sales channels and geographic areas. Following the ongoing acquisition of YDesign, a leading e-commerce retailer in the U.S. online high-end lighting market with net sales of USD163.2 million for the year ended December 31, 2020, we expect to complement our existing Flos, Louis Poulsen and B&B businesses by strengthening our U.S. and online presence.

The joint strategic direction of Flos, Louis Poulsen and B&B under one combined group, together with our long-standing relationships with top designers and specifiers, our strong and recognizable brands, our broad and diversified offering of top quality products, our extensive geographical footprint and our omni-channel distribution network, has generated, and is expected to continue generating, revenue and cost synergies since the combination of the three businesses was completed in November 2018. It has also expanded our customer reach and product portfolio and positioned us to deliver strong cash generation despite the outbreak of the COVID-19 pandemic.

For the year ended December 31, 2020, we generated 61.8% of our revenue from contracts with customers from the lighting category, which includes both indoor and outdoor products, with our lighting brands Flos and Louis Poulsen accounting for 39.0% and 23.4% of our revenue from contracts with customers and revenues related to Design Holding that are generated by each brand, gross of adjustments and eliminations, respectively. For the same period, we have generated 38.2% of our revenue from contracts with customers from the furniture category, which includes living room and bedroom products, outdoor products and kitchens, that we design through our furniture brands B&B Italia, Maxalto and Arclinea (all of which belong to the B&B group), accounting for approximately 26%, approximately 7% and approximately 5% of our revenues, respectively. The following charts set forth a breakdown of our revenue for the year ended December 31, 2020 by product category and primary brand:





(1) Louis Poulsen includes an immaterial portion of non-Louis Poulsen branded revenues (e.g. Targetti).
(2) Revenue breakdown by brand is presented as Revenue from contracts with customers and Revenue related to Design Holding that is generated by each brand, gross of adjustments and eliminations.

As a global design company, we provide a full range of high-end furniture and lighting solutions to a diversified customer base of individual consumers, architects, designers and other specifiers for residential use and businesses around the globe for commercial use through an omni-channel approach comprising four key sales channels:

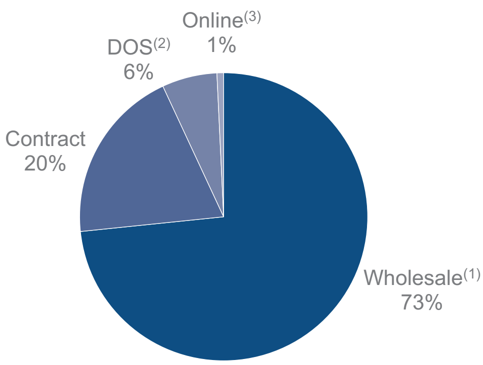
(i) *Wholesale.* Our wholesale channel comprises over 4,845 brick-and-mortar points of sale located around the world across a range of formats, including third-party mono-brand stores and shop-in-shops, corners and displays within multi-brand design retailers, as well as online third-party retailers;

(ii) *Contract.* Our contract channel delivers bespoke design services for residential and commercial customers, utilizing both products from our catalogues and custom-made products, as well as certain complementary products from third-party producers;

(iii) Directly-Operated Stores ("**DOS**"). Our DOS channel comprises retail stores that are directly managed from our headquarters and sell only products from Flos, Louis Poulsen and B&B, either individually by company or in a combination with products from our other companies, including our two new D-Studio stores which we plan to open during the course of 2021 in Milan and Copenhagen and which will sell products from all our brands; and

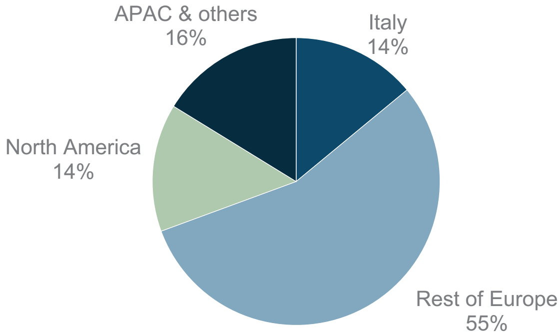
(iv) *Direct online*. Our direct online channel consists of our e-commerce websites currently selling products from Flos and Louis Poulsen in different geographies (mainly North America, in respect of both Flos and Louis Poulsen, and the main European countries, in respect of Louis Poulsen only).

The following chart sets forth a breakdown of our revenue for the year ended December 31, 2020 by sales channel:



(1) Wholesale excludes revenues derived from the direct online channel. Wholesale includes e-tailers.
(2) DOS includes revenues from directly operated Flos and B&B stores.
(3) Online includes revenues from Flos' and LP's e-commerce websites.

We operate directly or indirectly in approximately 140 countries around the world. The following chart sets forth a breakdown of our revenue for the year ended December 31, 2020 by geography:



Our products are distinguished by their design content, combining innovation and technology with the rich design heritage that characterizes the Italian and Danish traditions. Each of Flos, Louis Poulsen and B&B maintains a portfolio of iconic products, a number of which have been popular for more than 50 years and were created in collaboration with some of the most prestigious designers in the world, including Antonio Citterio, Gaetano Pesce, Achille and Pier Giacomo Castiglioni, Philippe Starck, Poul Henningsen and Arne Jacobsen. Our products have received numerous global design awards and are held in the permanent collections of art and design museums worldwide, including in the Museum of Modern Art in New York, the Art Institute of Chicago, the Victoria & Albert Museum in London, Le Centre Pompidou in Paris and La Triennale di Milano in Milan. Throughout our history, our continuous efforts in technology and product development coupled with our strong relationships with prestigious designers and our ability to attract up-and-coming design talents have enabled us to complement our heritage collection with successful new products that have reinforced the growth of each of our brands over the years.

Our diversified sales organization is supported by a strong digital presence, with a number of initiatives underway to support the online presence of our companies, including the expansion of our online business, through the launch of a new state-of-the-art e-commerce platform with the support of a dedicated in-house team and of our shareholders' operating partners, and the Acquisition which will allow for the expansion of our online channel especially in North America. We are also continuing to expand our DOS presence through the launch of two D-Studio multi-brand and multifunctional flagship stores in Copenhagen and Milan, which we expect will open in 2021, where products from all our brands will be sold singularly or through tailor-made projects providing "soft-contract" solutions for business-to-customer ("**B2C**") and business-to-business ("**B2B**") customers, and through a recently-launched joint venture partnership with Fendi which we expect to also be supported by a dedicated DOS network. See "*—Recent Developments—Joint Venture with Fendi*".

The ongoing combination of our businesses and brands is still in the process of delivering revenue and cost synergies, including,among others, the selective expansion of the store network, the further development of cross-selling among brands and the creation of D-Studios. We expect that the ongoing integration of Flos, Louis Poulsen and B&B will also provide opportunities for cost synergies, including through the transfer of the production of selected architectural products of Flos and Louis Poulsen to our Spanish facilities and the opening and recent renovation of the Arclinea headquarters and training center in Caldogno, in north eastern Italy. Additional synergies are expected to be developed from the integration of the YDesign Group, primarily through the distribution of our products through the YDesign Group's online platform. See "*—Our Strategies—Drive operational excellence and finalize synergy deployment from Group integration and the Acquisition*".

Our Competitive Strengths

We believe that our key strengths and competitive advantages will be:

Leadership position in a fragmented market with highly attractive growth prospects

We estimate that we are one of the leading global design companies by revenue in the fragmented high-end lighting and furniture design markets, with €526.1 million in total revenue, Adjusted EBITDA of €128.7 million and net profit of €22.6 million for the year ended December 31, 2020. We believe that on a pro forma basis for the Acquisition, we would have been approximately 1.5 times larger than our closest competitor in terms of revenues based on our analysis of publicly available financial data for 2019. According to the Industry Report, after contraction in the market due to COVID-19 pandemic, strong signs of rebound have been witnessed, with the market expecting to recover to pre-pandemic levels by the end of 2021.

In addition, despite the recent signs of a trend towards consolidation in the office space, the high-end design market is primarily characterized by smaller competitors, making us one of the few design groups that can serve a diverse customer base across a variety of product and service categories and geographies, enabling us to benefit from cross-selling initiatives and giving us the opportunity to grow through selected strategic acquisitions in the segments where we currently operate or in complementary adjacent segments. See "*Our Strategies—Pursue strategic acquisition opportunities that align with our overall goals and objectives*".

Diversified business model across product categories, geography and distribution channels with low customer concentration risk

Our business is diversified across product categories, geographies and distribution channels. We currently operate in two product category sectors, lighting and furniture, which generated 61.8% and 38.2% of our revenue from contracts with customers for the year ended December 31, 2020, respectively.

Geographically, our business benefits from a diversified reach, with approximately 140 countries served and no one country generating more than 13.6% of our revenue for the year ended December 31, 2020. Customers outside of our home geographies of Italy and Denmark generated approximately 76% of our revenue for the year ended December 31, 2020, with non-European sales representing 30.6% of our revenue for such period. Customer growth in recent years has been primarily driven by the North America and the APAC region, with these regions generating 14.4% and 14.7% of our revenue for such period. We expect the APAC region and North America to support rebounding from the negative effects of the COVID-19 pandemic and to continue to drive growth, with consistent demand also expected in our home geographies and Western Europe. We also expect the Acquisition will increase our revenue from customers in North America by providing access to YDesign Group's large database of more than 800,000 customers, of which approximately 250,000 were active in the past 24 months, including architects and interior designers that are key specifiers in this geography. On a pro forma basis for the Acquisition, we estimate that our revenues in North America for the year ended December 31, 2020 would have been approximately 32% of our revenue from contracts with customers.

We also benefit from a diversified distribution network comprised of four distribution channels (wholesale, contract, DOS and direct online sales) enabling us to reach a broad range of customers in a cost-efficient manner. Our diversified distribution network will further benefit from the creation of our new e-commerce platform, which will be unified across our brands, and the Acquisition, which will further foster our online distribution channel and our exposure to the North American market where we estimate, based also on industry report, that online penetration of the U.S. home furnishings market will increase from approximately 20% in 2018 to more than one third in 2023.

For further details on our distribution channels, see "*—Omni-channel distribution network optimizing client reach and maximizing brand strength*".

Finally, in addition to a diversified mix of product categories, geographies and distribution channels, we benefit from low customer concentration risk. For the year ended December 31, 2020, Flos' top 20 customers generated 14.4% of Flos' revenue, with no one customer generating more than 2.5% of Flos' revenue, and Louis Poulsen's top 20 customers generated approximately 22.0% of Louis Poulsen's revenue, with no single customer generating more than 4.4% of Louis Poulsen's revenue. During the same period, B&B's top 20 customers generated approximately 24.2% of B&B's revenue, with no single customer accounting for more than 2.1% of B&B's revenue.

Highly resilient portfolio of iconic designs and breakthrough innovations

Our internationally-acclaimed product portfolios represent a balance between timeless heritage designs and innovative products. Certain iconic designs have become synonymous with our brands and continue to attract significant customer demand decades after being introduced. We believe that maintaining these products in our portfolio helps to limit the effect of market trends and improves our revenue resiliency. Numerous products from each of our brands have received prestigious international design awards, including the Compasso d'Oro, NYCxDesign Award, IF Gold Award, FX Interior Design Awards, Danish Design Award and German Design Award, and are held in the permanent collections of art and design museums such as the Victoria & Albert Museum in London, the Museum of Modern Art in New York City, Le Centre Pompidou in Paris and La Triennale di Milano in Milan, confirming the excellence, renown and appeal of our designs.

In addition, we believe that the balance between iconic and innovative products in our portfolio also translates into limited concentration risk in terms of revenue, with the thirty products representing the top ten best-selling products from each of Flos, Louis Poulsen and B&B generating in aggregate only approximately 30% of our revenue for the year ended December 31, 2020. In particular, for the year ended December 31, 2020, revenues from Flos' top ten best-selling products accounted for approximately 33% of Flos' revenue, with no one product representing more than approximately 6% of Flos' revenue, and revenues from Louis Poulsen's top ten best-selling products accounted for approximately 32% of Louis Poulsen's revenue, with no single product representing more than approximately 8% of Louis Poulsen's revenues. During the same period, revenues from B&B's top ten best-selling products accounted for approximately 25% of B&B's revenue, with no product accounting for more than approximately 5% of B&B's revenue. Many of our products also benefit from high product longevity, with designs from as early as 1925 continuing to be popular and informing the development and production of new designs. For the year ended December 31, 2020, our iconic products (i.e. lighting products designed before 1980 and furniture products designed before 2000) accounted for approximately 22% of our revenue.

Our internal research and product development teams work closely with our designers to continually update and reconfigure iconic pieces to meet the evolving needs and tastes of our customers while maintaining the identity of each of our brands and the distinctive original features that loyal customers worldwide have long associated with our products. We also launch new products on an ongoing basis to complement our portfolio of heritage designs. We estimate that we generated 36.1% of our revenue for the year ended December 31, 2020 from the sale of products which each of Flos, B&B and Louis Poulsen introduced during the last five years. Between 2018 and 2020, Flos, LP and B&B launched approximately 16, 14 and 22 new products (including extensions of existing product lines) on average per year, respectively. Our efforts in research and product development and innovation in both design and technology ensure both the longevity of our iconic products and the continued introduction of creative and successful new designs.

Omni-channel distribution network optimizing client reach and maximizing brand strength

We operate our brands through four distribution channels: wholesale, contract, DOS and direct online sales. We believe our omni-channel distribution network optimizes client reach and maximizes the strength of our brands. For the year ended December 31, 2020, the wholesale channel generated approximately 73.3%, the contract channel approximately 19.7%, the DOS network approximately 6.2% and direct online sales approximately 0.8% of our revenue from contracts with customers, respectively. On a pro forma basis for the Acquisition, we estimate that our online sales for the year ended December 31, 2020 would have been approximately 22% of our revenue from contracts with customers.

Wholesale

Within the wholesale channel, we sell Flos products through approximately 2,300 third-party dealers, Louis Poulsen through 1,650 third-party multi-brand points of sale and B&B's products through 59 mono-brand stores, 32 shop-in-shops and 781 multi-brand stores spread around the globe. These include brick-and-mortar sales points and online third-party dealers, in a range of formats from third-party mono-brand stores to shops-in-shops, corners and displays located in third-party multi-brand stores. The wholesale channel enables us to increase customer reach while limiting distribution costs. We benefit from long-standing customer relationships within our wholesale channel, with many of our dealers having sold products from our respective brands for five years or more.

Contract

Our contract channel gives us the opportunity to interact with a separate consumer demographic that is not typically accessible through traditional retail outlets, such as those in the hospitality, retail, residential design and office industries. Among some of the notable recent projects completed by the Contract division are the One Thousand Museum by Zaha Hadid Architects in Miami, The Polaris Lounge by Studio SCB Chicago, the Bulgari Hotel in Shanghai, Beijing and Milan by Antonio Citterio and Patricia Viel, The Retreat at Blue Lagoon Iceland by Basalt Architects and Design Group Italia, the Aman Canal Grande hotel in Venice, the Café Royal, the Bulgari Hotel and the Me Hotel in London, the Excelsior Hotel Gallia in Milan, the Peninsula Hotel in Paris, the executive offices of the Abu Dhabi National Oil Company in Abu Dhabi and the Aman Amanera hotel in Santo Domingo. We believe the wide variety of commercial customers and the larger scale of contract projects make our contract channel a strong vehicle for cross-selling opportunities, increasing the visibility of our products and our market penetration. Although a large proportion of contract work is currently driven by B&B, the combination of our brands has provided us with the opportunity to broaden the scope of our contract work, offering a floor-to-ceiling contract service encompassing furnishings from B&B, kitchens from Arclinea and lighting solutions from Flos and Louis Poulsen. The D-Studio initiative will further develop this integration by providing "soft-contract" solutions to both B2B and B2C customers through specific points of sales.

DOS

Our DOS distribution channel is a powerful marketing tool that drives brand awareness, allows full control over our brands and often provides enhanced visibility to our end customers. As of December 31, 2020, Flos and B&B operated a total of five and ten DOS, respectively, and Louis Poulsen had seven showrooms (which while not operated as points of sale, are an important vehicle for driving sales, as customers who visit showrooms are encouraged to make purchases through the Louis Poulsen e-commerce site using sales terminals located in each showroom), all located in key luxury markets around the world in cities such as Milan, London, New York, Paris, Tokyo and Hong Kong. In addition, as part of the integration process of our brands, we have recently also broadened the range of products on display at certain of our DOS, featuring, for example, selected Louis Poulsen and/or Flos lighting solutions in B&B DOS, thereby increasing cross-selling opportunities by giving our customers the opportunity to purchase such products. DOS and directly-operated showrooms are a highly valuable distribution channel as they not only drive sales, but also increase brand strength, serving as a hub for marketing events and design fairs. Additional contribution to our existing DOS network will come from the D-Studio initiative which is expected to launch its first stores in Milan and Copenhagen over the course of 2021 and from the marketing of Fendi-branded products which we expect will rely on a dedicated store network.

Direct Online Sales

While currently only utilized in select markets by Flos and Louis Poulsen, we believe direct online sales represent a strong growth opportunity for us. Although B&B does not currently conduct any direct online sales, the new e-commerce platform which we expect to launch during the course of 2021 will provide an integrated back-end solution powering different websites for all the brands of the Group. In addition, the Acquisition is expected to provide an additional platform for the distribution of our products in North America and particularly B&B products which are currently not sold through the YDesign Group platforms.

Each of our brands also benefits from a strong digital channel and social media presence, which supports brand awareness across all of our distribution channels and supports earlier customer acquisition, as compared to traditional sales channels. B&B's corporate website, bebitalia.com, received an average of 1.3 million visits each month in the year ended December 31, 2020. Flos launched a new corporate website in December 2017, which received a Digital Design Award (a recognition awarded by an international jury for the best of Italian digital design) for Best Corporate Website and being named SiteInspire's Site of the Week and which in the first three months of 2021 received approximately 362 thousand unique visitors each month on average, which represents a 26% increase compared to the monthly average for the year ended December 31, 2020. In addition, our brands have enhanced ther presence on social media in recent years, with large fan bases and followers across all the main platforms, including Facebook, Instagram, LinkedIn, Pinterest and Twitter.

Unique brand power based on design heritage, iconic products, long-standing relationships with top designers and loyal networks of specifiers in local markets

Our business benefits from significant competitive advantages that make our business model difficult to replicate, including our iconic product portfolio, design heritage, long-standing relationships with top designers and specifiers and strong technical know-how. Our iconic brands benefit from association with a broad base of prestigious and globally renowned designers, such as Philippe Starck, Antonio Citterio, Jasper Morrison, Patricia Urquiola, Piero Lissoni, Barber & Osgerby, Ronan and Erwan Bouroullec, Konstantin Grcic, Vincent Van Duysen, Marcel Wanders and Michael Anastassiades at Flos, Poul Henningsen, Vilhelm Lauritzen, Arne Jacobsen, Finn Juhl and Verner Panton at Louis Poulsen and Antonio Citterio, Naoto Fukusawa, Jeffrey Bernett, Studio Kairos, Massaud, Gaetano Pesce, Buratti, Piero Lissoni and Vincent Van Duysen. We believe our privileged relationships with such designers and our ability to attract new promising designers represent a significant competitive advantage. Our relationship with designers is mutually beneficial, as it allows us to expand our brand recognition across a wider customer demographic and adds value for the designers, who gain prestige and visibility by working with leading furniture and lighting brands. Some of our designers have collaborated with our brands for many years, creating a strong design relationship and mutual understanding of the needs and preferences of our customer base. Many of our designer partners have received multiple awards and recognitions for their designs and have their designs held in the collections of museums around the world. For more information on our contractual arrangements with designers, see "*Our Business—Flos—Agreements with Designers*", "*Our Business—Louis Poulsen—Agreements with Designers*" and "*Our Business—B&B—Agreements with Designers*".

Designers collaborate closely with our internal research and product development teams, which have accumulated extensive technical expertise and industry knowledge over decades and continually support our design innovation. The research and product development teams add substantial value to designers, providing an extensive knowledge base on product feasibility with respect to design, materials and market success; research on the latest trends, materials and technological innovations; design and development support for concepts, prototypes and molds; negotiation support with suppliers to ensure high component quality standards at competitive prices; and centralized assembly process and production planning. In addition, management teams at each of our brands ensure that any new design that is being proposed or considered internally is fully consistent with the relevant brand's image and philosophy, which we believe is key to the success of any product and the continued integrity of our brands.

In addition to our ability to attract and maintain relationships with world-renowned designers to create unique pieces for our product portfolio, we also benefit from strong relationships with a widespread network of specifiers, especially smaller, committed professional design and architecture studios that continually choose and promote our products to meet the design needs of their clients. We consider these specifiers, which we define as any party that is involved in the purchasing decision but is not the end user of our products, including but not limited to architects, interior designers, lighting engineers and landscape architects, a loyal and resilient customer intermediary that, through repeat business, provides us with a significant competitive advantage locally in the geographic markets we serve and add to our recognition with end customers.

Strong financial profile with proved resiliency and cash generation during the COVID-19 outbreak

Our brands have demonstrated business resilience throughout the COVID-19 outbreak, as evidenced by our 2020 end-of-year results. Our total revenue and Adjusted EBITDA for the year ended December 31, 2020 were €526.1 million and €128.7 million, respectively, marking a 6.9% decrease and a 1.2% increase with respect to the year ended December 31, 2019. As a producer of high-end design products, we believe our retail end customer base has significant disposable income and tends to be less affected by the economic cycle than customers in other segments. In addition, over the last year we have put in place specific initiatives to increase our economic resiliency, mainly reducing discretionary spend and other costs associated with activities that were affected by the COVID-19 pandemic, such as travel and marketing related expenses, including as a result of the cancellation of fairs and other events, and reducing our fixed costs by outsourcing certain manufacturing processes to carefully selected third-party assemblers. We believe that we may continue to benefit from some of these initiatives, in particular those relating to the digitalization of our marketing activities, also after the end of the pandemic. In addition, we have continued to pursue an increasing diversification of our business, with the most relevant country only accounting for approximately 13.6% of our revenue for the year ended December 31, 2020. The introduction of LED products has also resulted in reduced operating costs for Flos and Louis Poulsen over the last few years, while at the same time improving the duration of the underlying products.

Our strong cash generation has historically been driven primarily by high profitability levels and low capital expenditure. Our Adjusted EBITDA margin has increased during the COVID-19 outbreak, from 22.5% for the year ended December 31, 2019 to 24.5% for the year ended December 31, 2020. At the same time, our cash generation has continued steadily throughout 2020, with adjusted net financial debt (excluding IFRS 16 lease liabilities) decreasing from €667.7 million for the year ended December 31, 2019 to €632.0 million for the year ended December 31, 2020. In this context, the Acquisition is expected to further strengthen our resiliency and financial profile, given YDesign strong growth performance in the year ended December 31, 2020 (despite COVID-19 outbreak, net sales and Adjusted EBITDA increased by 10.2% and 11.0%, respectively) and our exposure to the growing U.S. online high-end design market.

Our business is characterized by limited capital expenditure requirements, with capital expenditures as a percentage of revenues representing only 4.3% for the year ended December 31, 2020. We expect our maintenance capital expenditure requirements as a percentage of total revenues to remain broadly in line with such level. However, in light of our strong cash generation performance in the past two years and the resiliency of our business during the COVID-19 pandemic, we expect to increase our growth-related capital expenditures in the next few years to achieve better access to end customers, and further strengthen our leadership position in the market. In particular, we expect such increased investments to focus on, among other things, actions to accelerate the digital transformation of the Group (e.g., implementation of the new e-commerce platform and the update of the Group's enterprise resource planning (ERP) and enterprise performance management (EPM) systems) and common initiatives among the brands to strengthen our distribution in selected growing markets. See "*—Our Strategies*". For more information on our capital expenditures, see also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Expenditures*".

In addition, a significant part of our production, in particular that associated with our furniture solutions, is typically made to order. The make-to-order approach we adopt for a large portion of our products enables us to maintain control over the value chain. In addition, where we do not operate on a make-to-order basis, the long lifespan of our products lowers inventory risk. Moreover, approximately 54% of our cost base is variable for the year ended December 31, 2020. In addition, we believe that our brand strength gives us strong pricing power, typically allowing us to pass the effects of increased raw material and component costs or adverse exchange rate fluctuations to our customers.

Experienced management team backed by a strong holding structure and committed shareholders

All the Group companies operate under the strategic guidance of the management and of the board of directors of Design Holding. At Design Holding level, our former Chief Executive Officer Gabriele Del Torchio will remain with the Group as non-executive Chairman, continuing to contribute to the development of our business. A search for a new Chief Executive Officer of Design Holding is ongoing and will follow the most rigorous international standards. Design Holding has also recently reinforced its holding structure through the hires of a centralized management team in charge of overseeing the overall operations of the Group and coordinating with each operating company. Such team will include a Group Chief Digital Officer, Group Head of Contract, Group Head of Marketing, Group Head of Human Resources, Group Head of E-commerce and Group Head of China. All of our recently hired personnel have long-standing experience and proved track-record in their respective fields. See "*Management*". Additionally, the executive teams at Flos, Louis Poulsen and B&B are highly experienced in leading and growing successful design businesses, with relevant prior experience at large international companies. We expect that, as part of the Acquisition, certain members of the current management team of YDesign will reinvest a portion of their respective proceeds into U.S. BidCo, corresponding to approximately 2% of its issued and outstanding equity interests. See "*Summary—The Transactions—The Acquisition*".

This experienced management team is backed by our principal shareholders, Investindustrial and Carlyle, each of which has successfully invested in the design and luxury industries both in Europe and worldwide. We believe that our current management team and ownership structure will allow us to continue to attract and retain the industry's top talent, further driving profitable growth. See "*Principal Shareholders*".

Our Strategies

The key elements of our strategy are:

Expand our geographic reach especially in selected growing markets

As part of our initiative to grow our store network, we plan to also strategically expand our geographic reach in markets where we expect to see continued growth, particularly outside of Europe. We aim to expand the reach of Flos, Louis Poulsen and B&B within North America and the Asia Pacific region ("**APAC**"). Moreover, expansion in China is one of our strategic priorities and, to that end, we have appointed a Group Head of China who will oversee the commercial efforts in the region, including the opening of local stores, the roll-out of mono-brand stores with local partners and a digital-led marketing strategy to generate brand awareness and support distribution of products in the area. In addition, the Acquisition is expected to further foster our market penetration in North America, which will give us access to YDesign Group's large database of more than 800,000 customers, including architects and interior designers that are key specifiers in this geography. See also "*—Pursue strategic acquisition opportunities that align with our overall goals and objectives*".

Develop our store network and foster growth of our online segment

As part of the integration process of our brands, we have recently broadened the range of products on display at certain of our DOS, featuring, for example, selected Louis Poulsen and/or Flos lighting solutions in B&B DOS in an environment designed to enhance the design identity of each brand while at the same time emphasizing the relationship among the products, thereby increasing cross-selling opportunities by giving our customers the opportunity to purchase such products. In addition, we are developing the D-Studio initiative consisting of the creation of multi-brand and multifunctional flagship stores representing unified points of sales where all products will be sold individually or through tailor-made projects providing "soft-contract" solutions for B2C and B2B customers. The D-Studio pioneering initiative aims at maximizing the cross-selling potential among our brands. We expect the first D-Studio stores to open in Copenhagen and Milan over the course of 2021, which might be trailblazers of additional D-Studio stores in the future. We expect to continue to grow our store network through the recently-launched joint venture partnership with Fendi, which contemplates the opening of a large network of dedicated DOS for the sale of Fendi-branded design products manufactured by us. In addition to the above, we are currently planning the roll-out of our new e-commerce platform which we expect to be initially launched with Flos before the end of 2021 to target the main markets in continental Europe and the U.K., to then expand to the other Group companies and geographies. Finally, the Acquisition is expected to further expand our online segment and strengthen our presence in the North American market. After giving pro forma effect to the Acquisition, we estimate that the portion of our revenue for the year ended December 31, 2020 represented by online sales would have been approximately 22%. In addition to online sales, we intend to continue to develop digital relationships with our existing and potential customers, including through online marketing, social media outreach, online sales support, digital product configurators and partnering with social media influencers to promote our products and visibility.

Continue to strengthen and extend our product portfolio

Our product portfolio is a key element of our success, and we intend to continue to invest in research and product development with the aim of further strengthening and extending this portfolio both with redesigns or new configurations of existing products and introductions of new, complementary designs. We intend to continue adapting to evolving technology while building on the strength and success of our timeless iconic products. We expect to continue to launch new products and to coordinate our marketing and advertising efforts through a single and pre-defined strategy for the Group. Between 2018 and 2020, Flos, LP and B&B launched approximately 16, 14 and 22 new products (including extensions of existing product lines) on average each year, respectively, a rate of new product launches that we expect to continue.

Drive operational excellence and finalize synergy deployment from Group integration and the Acquisition

Our key operational priority, along with maintaining and improving our high quality standards, is to finalize the deployment of synergies from the creation of Design Holding. Management estimates a potential €6.0 million of expected run-rate annual revenue and cost synergies positively impacting our Adjusted EBITDA in the medium-term. In particular, revenue synergies include estimated incremental annual run-rate EBITDA of €4.7 million we expect to generate in 2022 from sales from our two D-Studio stores that we plan to open during 2021 and sales of our products on the centralized e-commerce platform that we plan to launch in 2021. Cost synergies include estimated run-rate annual cost savings of €1.3 million from initiatives that we have already started implementing as of the date of this Offering Memorandum, related to the transfer of the production of selected architectural products of Flos and Louis Poulsen to our Spanish facilities and the opening and recent renovation of the Arclinea headquarters and training center in Caldogno, in northeastern Italy. We also expect to achieve €3.2 million of additional annual run-rate revenue synergies from the Acquisition, which we expect to fully realize in 2022, mainly deriving from (i) sales on the YDesign platform of our products, including B&B products which are currently not sold by YDesign and (ii) revenues from the sale of YDesign's private label products which YDesign is currently considering to set up in categories which we do not expect to compete with the Group products. For additional information, including on expected minor one-off costs and capital expenditure which are not reflected in these adjustments, see "*Summary Historical Financial Information and Other Data—Other Financial and Pro Forma Data*".

Pursue strategic acquisition opportunities that align with our overall goals and objectives

Our global footprint and diverse product portfolio create opportunities for acquisitions of selected brands in the high-end design market or adjacent markets that may bolster or complement our existing offering and geographical footprint. We are open to considering and we constantly scrutinize additional strategic acquisitions, some of which could be significant in size, to add to our portfolio, capitalize on our competitive strengths, expand our geographic footprint and reach in jurisdictions, including outside of Europe, where we see potential growth opportunities and/or where we currently have limited operations, further diversify our product offering, preserve or improve our financial performance and/or benefit from further consolidation expected in the design industry. Any further potential acquisition opportunities will be evaluated in light of a prudent and rigorous analysis to preserve a strong financial position. We will continue to apply a disciplined approach to pricing in connection with these potential acquisitions and will place significant emphasis on carefully planning and executing our acquisition strategy. As part of this strategy and to the extent possible, we will aim to use the investments we have already made in our IT, finance, operational, governance and business processes to reduce costs associated with on-boarding acquired businesses and will aim to utilize these synergies to benefit the entire Group.

Continue to leverage and nurture our relationships across the design value chain

In addition to our long-standing relationships with top designers that form a key competitive advantage, we also benefit significantly from positive relationships with loyal specifiers, particularly from the architect and designer community serving the local markets where we are present. These specifiers raise our profile and support our success across the value chain from the creation of the designs, to the development of the products and the final distribution to customers. We intend to continue fostering these long-standing relationships, which in turn support our ability to attract and retain new designers and promote our products to new specifiers. We believe that operating as a single one-stop-shop under one joint strategic direction will enable us to increase our ability to attract new talents and enhance the visibility of our brands. See "*—Drive operational excellence and finalize synergy deployment from Group integration and the Acquisition*".

The Group's Business

We design, produce, distribute and sell high-end lighting and furniture solutions, bringing together three companies with leading positions in the global high-end design market: Flos, an Italian lighting producer, Louis Poulsen, a Danish lighting producer, and B&B, an Italian furniture producer.

We operate and conduct our business through these three complementary companies, thus offering a broad range of product categories and brands across multiple sales channels and geographic areas. Furthermore, while the Issuer is a holding company with no operations on its own, the management team that oversees the operations of the Group is employed by Design Holding. For more information on the Group's structure and management, see "*Summary—Corporate Structure and Certain Financing Arrangements*" and "*Management*".

Design Holding

Since our incorporation in 2018 in connection with the acquisition by Investindustrial and The Carlyle Group of Flos, Louis Poulsen and B&B with the goal of creating a global high-end design group that brings together a collection of renowned and complementary brands, we have played a key role in coordinating these three businesses, by generating cost and revenue synergies and expanding the Group's customer reach and product portfolio, with the goal of creating a one-stop shop for high-quality design furniture and lighting products for both individuals and businesses around the world.

From a governance perspective, we underwent a major change, by transitioning from a founder-led to a management-led group with new CEOs been appointed at each of Flos and B&B. Moreover, the governance of the Group has been further strengthened by coupling the governance teams at each of Flos, B&B and Louis Poulsen with a centralized management team at the level of Design Holding (including the Group CEO, the Group CFO, the Group Chief Digital Officer and the Group Head of Contract, Head of Marketing, Head of E-commerce, Head of Human Resources, Head of China and Head of Retail) in charge of overseeing the overall operations of the Group and coordinating with each operating company.

In order to further leverage our potential synergies in the Contract division, we set up a cross-brand task force coordinated by the Group Head of Contract to discuss industry trend and coordinate joint activities on a bi-weekly basis.

From an operational perspective, we launched a centralized customer relationship management (CRM) platform, thus administering the interactions with customers in a more efficient way, leveraging the data gathered by each Group company. This initiative, which we completed in 2020, allows our Contract sales organizations at each of Flos, B&B and LP to coordinate with each other and in the different geographical areas in which we operate. In 2021, we expect to also launch a direct e-commerce platform coordinated by the Group Head of Digital, which will enable our customers to purchase products from all of our brands on one joint website.

Flos

Flos is one of the world's leading producers of high-end lighting solutions for residential and commercial use. Flos was founded in Merano, in northern Italy, in 1962 by Arturo Eisenkeil, in partnership with the Cassina family. Only two years later, Flos introduced the Arco lamp, which would go on to become one of its most iconic and best-selling lamp designs. Flos transferred its headquarters to Brescia, in northern Italy, in 1964, opened its first store in Milan in 1968 and expanded internationally in 1971 with the opening of its first foreign branch in Germany. In 1974, Flos acquired the heritage Italian lighting brand Arteluce, significantly expanding its product range and international reach. Flos began its exclusive collaboration with Philippe Starck in the 1980s, and throughout the 1990s, Flos unified its divisions into a unique brand catalogue and continued its global expansion into North America and Asia. The contract business was first introduced in 1996, in response to growing demand from commercial customers. In 2000, following its participation in the first International Light & Building fair, Flos launched its architectural business, Flos Architectural, which represented its first venture into lighting for commercial spaces. The Architectural business was significantly bolstered with the acquisition in 2005 of a majority stake in Antares, a Spanish commercial lighting producer based in Valencia, Spain. In 2016 and 2020, Flos received its fourth and fifth Compasso d'Oro awards for the lamps "OK" by Konstantin Gric and "Arrangements" by Michael Anastassiades, respectively. In addition, in 2020 Flos received also the first career award for the "Arco" lamp. Investindustrial acquired a majority stake in Flos in 2014. In 2015, Flos acquired the New York City-based custom lighting producer Lukas Lighting, further strengthening the company's presence in the custom sector, and Italian outdoor lighting company Ares, which allowed Flos to expand into outdoor lighting. In 2017, Flos began a rebranding of a portion of the Ares catalogue, introducing its first "Flos Outdoor" collection, and acquired Flos Projets (formerly KKDC S.à r.l.), a French distributor of LED lighting products, supporting its distribution capacity in the area. In 2018, Investindustrial and The Carlyle Group acquired Flos (along with Louis Poulsen and B&B) with the goal of creating a global high-end design group that brings together a collection of renowned and complementary brands.

For the years ended December 31, 2020 and 2019, Flos generated revenues of €203.7 million and €231.3 million and Adjusted EBITDA of €54.9 million and €61.3 million, respectively. Flos' revenues and adjusted EBITDA for the year ended December 31, 2020 represented 39.0% and 42.7% of the Group's consolidated revenues from contracts with customers and revenues related to Design Holding that are generated by each brand, gross of adjustments and eliminations and adjusted EBITDA for such year, respectively. Flos operates an international business, with its products sold through a network of approximately 2,300 third-party dealers around the world, in addition to five flagship stores located in Milan, Rome, Paris, Stockholm and New York and a directly operated e-commerce site in the U.S.

Business Divisions

The business of Flos comprises four divisions: Decorative, Architectural, Custom and Outdoor.

Decorative

The Decorative division offers high-end consumer lighting products, such as the Arco floor lamp by Achille and Pier Giacomo Castiglioni, the Superloon floor lamp by Jasper Morrison, the Noctambule lighting solutions by Konstantin Grcic and the Arrangements collection by Michael Anastassiades, primarily for residential applications. The Decorative division, which represents the original business of the company as established in 1960, forms the core of Flos' product offering and is managed by Flos S.p.A. The Decorative division is primarily managed from the company's headquarters in Brescia, and the production of Decorative products is mainly outsourced to a selected number of trusted manufacturers, primarily in Italy. The Decorative division product offering is broad and consists of more than 1,500 different products (including different configurations of the same product and excluding spare parts).

Architectural

Flos' Architectural division was established in 1996 in response to growing demand for high-profile commercial lighting products and is managed by Flos' subsidiary Antares in Valencia, Spain. The Architectural division provides lighting products primarily for sophisticated, high-end commercial applications including retail stores, hotels, offices and outdoor markets, and, from time to time, luxury residential properties. Previous commissions include providing lighting for large international groups such as Ferragamo, Versace, Inditex, Armani, Nespresso and D&G. Approximately 10 to 20% of Flos' Architectural products are assembled at the Antares plant in Valencia. Flos expects that the level of production of architectural products at the plant in Valencia will further increase, as a result of the plan to transfer part of the architectural manufacturing from Denmark to Spain. The Architectural division product offering is also broad and includes approximately 7,000 products (including different configurations of the same product and excluding spare parts).

Outdoor

Following the acquisition of Italian outdoor lighting producer Ares in 2015, Flos began incorporating Ares products into its catalogue, resulting in the launch of the first Flos Outdoor collection in 2017. Production of Flos Outdoor is managed by Ares in Bernareggio, in northern Italy. The Outdoor collection is designed for open spaces and aims to strike a balance between complementing the existing architecture and blending into the landscape. The Outdoor division comprises approximately 3,300 products (including different configurations of the same product and excluding spare parts).

Custom

The Custom division delivers custom-made lighting solutions for commercial and residential applications and is mainly managed by the Flos subsidiary Flos Bespoke S.r.l. (formerly Light Contract S.r.l.) in Collebeato, in northern Italy, and the Custom division of Flos USA Inc., in the U.S. Although the Custom division is a relatively small component of Flos' business, it might be an entry point for new customers who first come into contact with Flos lighting in retail, hospitality or other commercial environments and provides cross-selling opportunities for all other business divisions. The Custom division's capabilities range from the personalization of standard collections with special finishes and light sources to the custom-tailoring of high performance products and the customized production of unique solutions for large-scale projects, where each device is designed and developed according to the most challenging architectural needs.

Design

Since it was established in 1962, Flos' business model has relied on iconic design coupled with technological innovation. Flos' Decorative line has since the 1960s been developed internally through partnerships with some of the most world-renowned designers and architects, including Philippe Starck, Antonio Citterio, Jasper Morrison, Patricia Urquiola, Piero Lissoni, Barber & Osgerby, Ronan and Erwan Bouroullec, Konstantin Grcic, Vincent Van Duysen, Marcel Wanders and Michael Anastassiades. Flos' unique designs have been recognized globally through numberless of design awards, including five Compasso d'Oro (for the "Parentesi" lamp by Achille Castiglioni and Pio Manzù in 1979, for the "May Day" lamp by Konstantin Grcic in 2001, for the "OK" lamp by Konstantin Grcic in 2016, and for the "Arrangements" collection by Michael Anastassiades in 2020), two ADI Compasso d'Oro Lifetime Achievements for Sergio Gandini (1995) and for Piera Pezzolo Gandini (2011), six-time winner of the best lighting product at the EDIDA Awards (in 2008 for the "Skygarden" lamp by Marcel Wanders, in 2010 for the soft-architecture fixture "Wallpiercing" by Ron Gilad, in 2014 for the "String Lights" by Michael Anastassiades, in 2015 for the "Superloon" lamp by Jasper Morrison and in 2018 for its collection "Arrangements" by Michael Anastassiades, and in 2020 for the "Noctambule" collection by Konstantin Grcic), and best product of the year by the FX Interior Design Awards 2017 for its innovative professional lighting system Infra-Structure by Vincent Van Duysen. Various designs are also held in the collections of prestigious design museums worldwide, including the Museum of Modern Art (MOMA) and Metropolitan Museum of Art in New York City, the Victoria & Albert Museum in London, Le Centre Pompidou in Paris and La Triennale di Milano in Milan. See "*—Agreements with Designers*" for information on Flos' contractual arrangements with its designers.

The creation of Flos products is the result of an integrated process involving designers, architects and the internal research and product development department at every stage, with 42 full-time employees dedicated to research and product development as of December 31, 2020. Designs begin at the concept stage, in which designers either propose their own ideas for designs or produce concepts for designs that Flos has requested. The concept stage is followed by a period of research, in which designs are further developed and modelled, materials are selected, and products undergo initial engineering. During the refining stage, the product is developed as a prototype and undergoes a second round of engineering and analysis against safety standards. The product then moves to the defining stage, in which final engineering takes place, the product is measured against internal and external quality standards and arrangements are made for production logistics and the supply of raw materials. Finally, the product moves to the production stage, which encompasses the procurement of raw materials, production planning and the final manufacturing of the product.

Production

The majority of Flos' production operations benefit from a flexible supply chain, with a focus on lean operations. Due to the complexity of the techniques and materials required for the manufacture of Flos' products, production is mostly outsourced to carefully selected manufacturers, with a majority of production on a make-to-order basis. Within the Decorative and Architectural divisions, manufacturing is primarily outsourced and assembly is almost entirely outsourced. Production levels of Decorative products are based on a forecast of sales volumes at stock keeping unit ("**SKU**") level which is normally made on a yearly basis, but such forecast is then adjusted on a monthly basis throughout the year based on actual demand with a very short lead time, as Decorative products (as well as certain readily available Architectural products) can usually be delivered in approximately two to four days. In the Architectural division, production is done on order; within the Outdoor division, manufacturing is entirely internal and assembly is almost entirely internal, with production taking place to order. Custom products are tailored to each customer's satisfaction and are entirely custom-made, with custom projects taking up to several months to be completed, depending on the size and complexity of the project.

Supply Chain Management

Although a majority of production is outsourced, Flos remains directly involved in the manufacturing process, with quality control assessments taking place during every step of production. Prior to being sent to assemblers, raw materials and product components undergo an initial round of quality control, during which Flos (or the third-party assembler, in the case of products assembled outside of Italy) utilizes specialized quality control software to run quality controls on a statistical basis, the frequency of which varies depending on the specific type of material or component. The raw materials and components are then either assembled internally or packaged into assembly kits and sent to third-party assemblers. Flos generally contracts with assemblers that are located in close proximity to its headquarters in Bovezzo and members of its internal quality control organization make regular visits to assemblers to gauge the assemblers' quality control procedures. During the assembly phase (both internal at Flos and external at the third-party assembler), quality controls are performed on every product and the outcome of each quality control test is collected by Flos through its quality control software. Assembled products are then returned to Flos, where products undergo a further quality control assessment on a statistical basis to ensure that they meet internal and external standards of quality and safety, while adhering to the original design principles, before being stored in Flos' warehouses and shipped to customers as required. In addition, the first production run of new products are always assembled internally, so that Flos can then share best practices with its external assemblers.

Flos contracts with a diverse group of non-exclusive suppliers to provide the raw materials, assembly and finished products it requires. Suppliers are carefully selected mainly according to their technical capacity, quality, finance reliability and cost and are usually located in close proximity to Flos' facilities to minimize transportation costs and timing. Flos contracted with over 650 suppliers in 2020.

The relationships between Flos and its suppliers are governed mainly through (i) purchase orders with general terms and conditions specifying the purchase process, the general terms of delivery of purchased materials, the terms of invoicing and certain general obligations of the suppliers; (ii) standard supply agreements or (iii) framework supply agreements specifying terms, termination rights and minimum quantities. Flos also requires its suppliers to adhere to a set of guidelines provided by the company concerning the quality and any technical requirements of the products. If materials or products are found to be defective, Flos can return them to the supplier to be replaced or repaired at the expense of the supplier.

Marketing

Flos' marketing efforts are coordinated across channels, media and distributions around four areas of focus: (i) brand experience, (ii) sales support, (iii) B2B relationships and (iv) customer relationships.

Brand experience is a key element underlying all of Flos' marketing efforts and is structured around four core objectives: (i) creating an omni-channel brand with a strong and distinctive style able to be effectively deployed across all media channels, (ii) telling a story that engages our audience, (iii) establishing a consistent and unique statement of brand and (iv) maintaining an approach across all channels that is scalable and cost-effective. Flos' brand experience has been bolstered over time with the launch of its new global corporate website in December 2017, which received multiple international design awards (including a Digital Design Award for Best Corporate Website and SiteInspire's Site of the Week) and which in 2021 has received approximately 362,000 unique visitors each month on average, which represents a 26% increase compared to the year ended December 31, 2020. Flos also plans to launch a new corporate websites for the Chinese market in the next two years. Brand experience also plays a key role in the launch of new products. For example, for the launch of the Arrangements lighting system by Michael Anastassiades in April 2018, Flos' marketing department designed an omni-channel promotional suite, with leaflets, photo shoots, designer interviews, videos and an interactive product configurator on the company website, all designed to convey a consistent brand experience. Combined with social media promotions and internal sales support, this coordinated approach led to a successful new product launch, with over 4.9 million customers reached across various media within two months of launch.

Sales support is also a key element of Flos' omni-channel marketing strategy. Flos' nearly 80 online dealers worldwide are an important part of its international distribution network. Flos also supplies significant sales support to its brick and mortar ("**B&M**") dealers through the use of third-party sales platform Hubspot, which was launched in May 2018 and enables Flos to improve its sales performance from digital generation of leads. Once a sales lead is collected in the landing page of Flos' website, an email is automatically generated to the relevant country manager, who directs ownership of the lead to a specific salesperson. That salesperson then contacts the lead directly, either by phone call, email or another method of communication. Since Flos began using Hubspot, it has developed a database of over 60,000 leads (as of the date of this Offering Memorandum) that can be directly actioned by the appropriate salespeople, significantly improving its ability to convert leads to clients. Flos has also focused its sales support efforts on building a dedicated program for trade customers (e.g. architects, professional interior designers, lighting designers and professional stagers), with membership in the program providing such advantages as complimentary shipping, a trade discount, additional opportunities for engagement (e.g. through learning series, partnership events and personal shopping experiences), access to expert consultants for architectural solutions and the ability to order custom products.

In addition to the sales support provided to all online and B&M dealers, Flos is developing special marketing channels for its B2B customers, including the launch of a professional website that is easy to navigate and dedicated to the needs of B2B customers. The website is a channel that is completely dedicated to Flos' network of professionals, and it is devised, designed and constructed to replicate the intimacy that is typical of our showrooms and in person relationships. The website also includes special content from Flos Studios, which produces content and short videos featuring international lighting influencers, architects and interior designers who have had experience working with Flos, as well as case histories of new product applications in the Architectural division, complete with overviews of products, solutions, technical specifications and design process. Combined with the website is a new newsletter program dedicated to B2B customers, a special web landing page and events and presentations with renowned architects and designers exclusively for B2B customers.

Flos has completed the implementation of Salesforce, the new Customer Relationship Management (CRM) platform dedicated to the B2B channel, which is currently used in most of the countries in which we operate. For more information on the adoption of a Group CRM platform see *"—Design Holding"*.

Customer relationships are key to Flos' success and brand reputation, and continuing to build and maintain these relationships, particularly through digital channels, is a key element of Flos' marketing strategy. Flos' social network accounts have one of the largest fan bases among Italian design companies, with a fan base of approximately 900,000 followers across its social media accounts as of the date of this Offering Memorandum (including Facebook, Instagram, LinkedIn, Pinterest and Twitter). The Flos corporate website also receives significantly high traffic, recording approximately 3.4 million visits in the year ended December 31, 2020. While continuing to maintain its presence across all channels, Flos is currently focusing its marketing efforts on augmenting its digital channel, with the primary goal of increasing its ability to interact with its audience without an intermediary.

Distribution Network

Flos operates an extensive international distribution network, with five flagship stores located in Milan, Rome, Paris, Stockholm and New York and approximately 2,300 third-party B&M dealers in 70 countries worldwide. The table below provides a breakdown by geographic region of number of Flos' B&M dealers for the year ended December 31, 2020.

Region	Number of B&M Dealers
Western Europe	1,775
North America	156
APAC	178
Middle East	11
Eastern Europe	163
Africa	6
Total	**2,289**

Flos primarily sells directly to retail customers through its network of flagship stores and through its e-commerce site in the U.S. The remainder of Flos' international distribution is primarily conducted by its network of B&M dealers and by wholesalers and distributors which on-sell Flos' products to their customers. Flos distributes inventory to its B&M dealers in one of two ways, based on what is most appropriate for the dealer and the geographic region: (i) directly to the dealer (approximately 60% of dealers) or (ii) through a direct subsidiary (approximately 40% of dealers). Sales leads may be generated either directly by Flos' internal salesforce or by third-party agents, depending on the features and commercial practices of each market. Flos contracts with its international dealers using a standard commercial customer agreement, which provides for the terms of delivery and payment, as well as base discount from the standard purchase price for all products purchased by the dealer under the agreement. Flos provides its retailers with a list of recommended retail prices for its products, although retailers are not contractually bound to apply such prices. Moreover, Flos sells its products through a network of over 80 third-party online dealers, including YDesign.

Customers

Flos serves a wide range of customers, including design-conscious individuals, architects, interior designers, other design professionals and wholesalers and distributors of design lighting products. Flos also serves high-end fashion brands, retail stores, hotels and other businesses primarily as part of its Architectural division. Flos' B&M dealers are primarily high-end interior design shops dealing either exclusively in lighting or in a combination of furnishings and lighting.

Intellectual Property

Flos has developed a dedicated strategy to improve the protection of its intangible assets and enforce the underlying intellectual property, which primarily consists of trademarks, designs, copyrights, utility models and domain names. Flos owns a large portfolio of Italian, European and other international trademarks, including for the name "Flos". In addition to registered trademarks, Flos also owns several *de facto* trademarks covering the names of its products and product lines. Flos also owns more than 600 registered designs, primarily registered in Italy, the European Union, the U.S., China, Japan and India, covering the shapes of certain products. Flos' portfolio of patents, primarily registered in Italy and the European Union, provides additional protection for the inventions inherent in certain of Flos' products. Flos also seeks to protect its company know-how through the use of non-disclosure agreements. Flos contracts with a third-party service responsible for monitoring and removing any intellectual property used without permission on websites, e-commerce platforms and social media, while also regularly conducting its own trademark surveillance. For more information on risks related to our intellectual property rights and efforts to protect them, see "*Risk Factors—Risks Related to our Business—If we are unable to protect our license and other intellectual property rights from others, or if counterfeiting increases, our business may suffer, and we may incur significant additional costs*".

Additional intellectual property rights are governed by Flos' license agreements with individual designers. See "*—Agreements with Designers*".

Agreements with Designers

As of December 31, 2020, Flos was party to 245 license, transfer and/or assignment agreements with Italian and foreign designers in connection with the design of lighting products, all providing for the payment of consideration to the designers for the use or transfer of their intellectual property rights. These agreements can be divided into two broad categories: (i) intellectual property transfer agreements providing for the complete assignment of intellectual property rights from the designer to Flos and (ii) license agreements with Flos as licensee. Most of the transfer agreements grant to Flos all of the rights arising from any potential future versions of products that could be developed by the designer counterparty without need to enter into further agreements and expressly grants Flos registration rights with respect to the designs. Flos has entered into approximately 30 license agreements. These agreements typically do not include exclusivity clauses, and some of them do not expressly provide Flos with the right to register intellectual property rights with respect to the designs, allowing the designers to freely grant intellectual property rights not covered by the license agreement to third parties. Pursuant to most of its license agreements, Flos is required to make quarterly payments to the relevant designers in amounts that are calculated on the basis of net sales, whether in Italy or abroad, net of any discounts, return of unsold goods, shipping charges, as well as any other expenses arising out of and in relation to such sales. For the year ended December 31, 2020, Flos paid a total of €3.4 million in royalties to designers. Flos' license agreements are typically open-ended in duration, with termination clauses generally in favor of the designer, allowing the designer to terminate at any time with notice.

Information Technology

Flos has a centralized information technology infrastructure based in Italy for its global operations. Flos' centralized infrastructure increases efficiency in the use of software and hardware, enhances product support and cost control and, ultimately, leads to economies of scale. In particular, initiatives have been taken and others are being taken to outsource repetitive and low-added value IT services, whereas IT services that are suitable for innovation, business processes reengineering and employee productivity increase have been kept in-house. Such strategy also aims to facilitate the use of common processes and data structures throughout the business and to ensure data consistency and timely data availability for managing Flos' business operations. Flos' IT department is composed of two main functions: Infrastructure & Networking and Application Development. As of December 31, 2020, Flos' IT department consisted of six internal full-time employees and five external on-call consultants, the former equally distributed among the two mentioned functions, the latter mainly focused on the Applications Development function. Flos is in the early stage of implementing a new Enterprise Resource Planning (ERP) system, which is expected to be adopted across the Group companies operating in the lighting business and is aimed to automate certain business functions and to streamline the operational process, thus resulting in a saving of time and resources.

Louis Poulsen

Louis Poulsen is a leading global high-end lighting brand with an iconic portfolio focused on Danish design heritage. Originally founded in 1874 as an electrical wholesale business, Louis Poulsen began its transition to a design-driven lighting producer in 1924, when the company began its collaboration with iconic Danish designer Poul Henningsen, with the resulting collection of "PH" lamps distributed through agents in Europe and North America. Throughout the 1950s, 60s and 70s, Arne Jacobsen, Vilhelm Lauritzen and Verner Panton designs were added to the product portfolio, cementing Louis Poulsen's reputation as a leader in the field of Danish industrial design. In 1999, a consortium led by Danish private equity firm Polaris acquired Louis Poulsen and split the business into Wholesale (which at the time accounted for the majority of sales) and Lighting divisions, with joint management and operational functions. The Wholesale division was sold in 2005 and the Lighting division continued as Louis Poulsen. Beginning in late

2005, a new management team began repositioning the company toward a more focused, high-end market by pruning the product portfolio, investing in new product development and expanding the B2C business. Louis Poulsen was then sold to Targetti, an Italian architectural light fixtures company, in 2007. The products and sales organization remained under the Louis Poulsen brand in the Nordic region, Japan, Germany and the U.K., while in the U.S. operations and manufacturing were merged under the brand Targetti Poulsen and in the rest of Europe and Asia, distribution was fully merged under the Targetti brand name. In addition, the manufacture of outdoor in-ground fixtures, previously based in the U.K., was moved to Targetti's manufacturing facilities in Italy. Following a period of declining B2B sales under Targetti ownership, Polaris again acquired a majority stake of 69% in Louis Poulsen in 2014 and instituted a new management team that overhauled local sales organizations, creating a more cohesive, global sales organization with an increasingly aligned focus on the decorative market.

Since 2014, management has renewed focus on product innovation, focusing on LED or LED compatible products, and has invested significantly in production and design, increasing the rate of new product launch from four or five new products per year between 2011 and 2015 to 14 new products or extension of existing product lines per year between 2018 and 2020. In 2018, Investindustrial and The Carlyle Group acquired Louis Poulsen (along with Flos and B&B) with the goal of creating a global high-end design group that brings together a collection of renowned and complementary brands. Louis Poulsen now operates a robust global distribution network, with 1,650 third-party multi-brand points of sale in over 70 countries and 86 sales consultants in 15 markets (including direct subsidiaries in 11 markets). Louis Poulsen also has dedicated directly managed showrooms, located in Fort Lauderdale (Florida), Oslo, Copenhagen, Vejen (Denmark), Dusseldorf, Tokyo and Singapore, which showcase Louis Poulsen designs as well as hosting marketing events, for example in connection with the launch of new products. Louis Poulsen will be part of the rollout of the D-Studio multi-brand and multifunctional flagships in Copenhagen and Milan, which we expect will open in 2021. For the years ended December 31, 2020 and 2019, LP generated revenues of €122.3 million and €112.8 million and adjusted EBITDA of €30.7 million and €24.5 million, respectively. LP' revenues and adjusted EBITDA for the year ended December 31, 2020 represented 23.4% and 23.9% of the Group's consolidated revenues from contracts with customers and revenues related to Design Holding that are generated by each brand, gross of adjustments and eliminations and Adjusted EBITDA for such year, respectively.

Business Divisions

Louis Poulsen's operations are divided into two business divisions: B2C, which comprises sales of high-end lighting solutions to residential customers through third-party multi-brand points of sale and the Louis Poulsen online store, and B2B, which comprises sales of indoor and outdoor lighting solutions for professional projects. The products sold within the B2B division can be broken down into Indoor and Outdoor product divisions, with a single B2B sales team handling both Indoor and Outdoor product sales. Product lines generally overlap between the B2C and B2B divisions, with most Louis Poulsen products sold via both divisions, although certain products (e.g. large outdoor fixtures such as post tops for street lamps) are normally sold only through the B2B division.

Louis Poulsen's business divisions are supported by a global network of 86 directly-employed sales consultants, third-party agents and distributors. Although Louis Poulsen primarily depends on its own directly-employed sales consultants, in certain markets third-party agents or distributors are considered more customary or efficient, based on the features and the commercial practices of each market. For example, Louis Poulsen commonly uses third-party agents in the U.S. (supported by directly-employed sales consultants), where third-party agents are customary and using them is considered more efficient than using directly-employed sales consultants.

B2C

Although originally focused on B2B sales, over the past several years Louis Poulsen has increasingly focused on the B2C channel.

Although focus within the B2C channel was historically on traditional bricks and mortar retailers, most of these retailers have now opened web shops, thereby increasing Louis Poulsen's available market beyond the geographical regions where its products are sold in retail stores. Louis Poulsen has also successfully increased its presence with online retailers, such as Lumens, Royal Design, Design Within Reach, labelfarm GmbH, Connox GmbH and nest.co.uk. Louis Poulsen has also operated its own e-commerce website in Denmark for many years, and in 2017 added e-commerce in Sweden, Norway and Germany. A new web platform with improved aesthetic and search function was introduced in 2018, followed by a directly operated BTC e-commerce platform, which is currently available across Europe and the U.S.; moreover, a new and updated partner portal dedicated to BTC was introduced in 2020 and made available across Italy, Germany, Sweden, France and Spain.

Within its third-party B2C multi-brand points of sale, Louis Poulsen products are displayed according to one of three store types, which essentially reflect the extension (in terms of square meters) of the Louis Poulsen dedicated area in each store: (i) shop-in-shop, which is an in-store branded area with parameters defined by Louis Poulsen in terms of size and appearance; (ii) corner, which is similar to a shop-in-shop but tends to be smaller; and (iii) display, which is a small in-store setup where a few selected Louis Poulsen products are displayed, often with limited advertising material or a special stand. Displays also include stores that have no specific in-store Louis Poulsen setup but may display Louis Poulsen fixtures within a multi-brand sales environment.

When contracting with a new third-party multi-brand point of sale, Louis Poulsen conducts a careful review of the quality of the outlet, in terms of brand position, product assortment and service level. Once a contract is in place, sales representatives from Louis Poulsen will periodically visit these third-party multi-brand points of sale to ensure that the standards are upheld. In addition, Louis Poulsen representatives often use incentives, such as applying product discounts or sharing the costs related to joint marketing initiatives, to encourage store managers to expand their offering of Louis Poulsen products or to upgrade the Louis Poulsen dedicated area in their store (e.g. from a display to a corner or from a corner to a shop-in-shop). Various factors determine whether the cost of the physical set-up of the area within each store where Louis Poulsen products are displayed is borne by Louis Poulsen or by the point of sale owner, including standard practices in the relevant market.

Since 2014, management has been focused on supporting and expanding the global B2C customer portfolio, targeting three key strategies: (i) increasing revenue from the existing point of sale network, (ii) expanding the point of sale network and (iii) building a streamlined and effective sales and marketing organization. In order to increase revenue from the existing point of sale network, management focused on both introducing new product families and extending existing product lines, in addition to providing the incentives discussed above to increase the offering of Louis Poulsen products and upgrade the Louis Poulsen dedicated area at existing points of sale. Several of the new product families introduced in recent years target the underpenetrated affordable luxury segment, balancing the existing portfolio offering of primarily luxury products and enabling Louis Poulsen to reach a new category of customers previously unlikely to purchase its products. In addition, existing lines were extended with new finishes and formats and limited editions produced in order to revitalize iconic products and simultaneously renew interest in original versions. Moreover, 316 of Louis Poulsen's retailers have been upgraded from 2018 to the date of this Offering Memorandum, with new in-store concepts introduced to support increased sales per store. Over time, Louis Poulsen has also engaged in a global store rollout, expanding into 387 new points of sale between 2018 to the date of this Offering Memorandum through a combination of increased penetration of existing markets and entering new markets. Finally, an increased focus on building sales and marketing functions led to the establishment of dedicated B2C sales organizations serving the U.S., the U.K., Asia, Finland, Italy, Spain and the Netherlands, with the result that all markets in which Louis Poulsen is present now have dedicated B2C sales organizations. Louis Poulsen also benefits from an internal marketing division, composed of a team of 18 full-time employees specialized in marketing activities and four local marketing employees in Germany, the U.S., Japan and

Singapore. Management intends to continue focusing on marketing with increased investment in digital channels. See "—*Marketing*".

B2B

Louis Poulsen's B2B business comprises sales through specifiers in professional projects, such as architects, developers, lighting designers, interior designers and building engineers, of both indoor and outdoor lighting solutions. The B2B business includes both decorative lighting, which focuses on statement pieces with strong design elements, and general design lighting, which is focused on simpler solutions for commercial spaces that are primarily functional while still maintaining the minimalist Danish design that characterizes all Louis Poulsen products.

The B2B division key focus areas are: (i) accelerated development of new products, (ii) aligning and improving sales efforts and (iii) reorganization of sales teams in the key markets of the United States, Central Europe and Singapore. The B2B division has benefited from an increased investment in product development of decorative products in the B2C division, as both sales channels have common themes and the accelerated product development program has primarily been focused on Indoor decorative and general design lighting products that are distributed across both sales channels. In the Indoor division, numerous new products were launched during the last few years, comprising both updates to heritage products, such as new finishes or formats, and newly designed products, and additional products are in the pipeline. Although product developments in the Outdoor division have also been accelerated, we normally experiment a significantly longer development phase for outdoor products compared to indoor ones. Sales functions have also been enhanced to support the increased rate of product launches. Our customer relationship management system enables performance management of sales consultants and the results have been used to develop a sales excellence initiative aimed at increasing the efficiency and effectiveness of our salesforce by way of, for example, adopting different sales strategies based on the various customer types.

Design

Louis Poulsen's distinct design philosophy originates from Poul Henningsen's ambition to give electrical light similar ambient properties as the candlelight it replaced in the early 20th century. With that goal in mind, Louis Poulsen has always sought not to design lamps, but to shape light. The company's philosophy of "Design to Shape Light" guides the design of all of its products, meaning that no design details are added to a lamp that do not have a justification in function, softening luminance and eliminating direct glare and hard shadows, in line with the design principle that "Form Follows Function". All of Louis Poulsen's lighting designs are characterized by an aesthetic, a function and an ambience that define the space in which they are used, while simultaneously blending in with the surroundings. Louis Poulsen designs have been awarded numerous prestigious design awards, including the 2018 IF Gold Award for the Yuh lamp by GamFratesi, the Danish Design Award, Dansk Industri og Danish Design Center award, the Lighting Design Award, Revo Media award and the Design Award, Bo Bedre for the Flindt wall and several other Danish Bo Bedre Design Awards for Lamp of the Year, for the Patera lamp by Øivind Slaatto among others, and are collected by design museums around the world, including the Danish Design Museum.

Louis Poulsen's design philosophy is strongly rooted in Danish design heritage. Since its first collaboration with Poul Henningsen in 1924, Louis Poulsen has expanded its influence through partnerships with the most celebrated designers in Danish design history, eventually acquiring intellectual property rights to some of the most famous lighting designs of the "big 5" of Danish industrial designers: Poul Henningsen, Vilhelm Lauritzen, Arne Jacobsen, Finn Juhl and Verner Panton, which remain at the core of Louis Poulsen's offering. The company believes that the sense of quality and Scandinavian design heritage that this core collection represents has contributed to attracting other high-profile Scandinavian and international contemporary designers, such as Bjarke Ingels, GamFratesi, Louise Campbell, Øivind Slaatto, Alfred Homann, Oki Sato and Olafur Eliasson, to collaborate with the company, ensuring that the heritage designs are continually updated to reflect modern technologies, tastes and lifestyles and are complemented by a range of innovative new designs. See "—*Agreements with Designers*" for information on Louis Poulsen's contractual arrangements with its designers. Whether recently developed or part of the core collection, all of the Louis Poulsen designs incorporate the company's philosophy of "Design to Shape Light" and the simple, timeless expression that is core to Danish design.

Production

Louis Poulsen utilizes a highly scalable operating model, based on an institutionalized, commercially-driven design process, a well-invested production setup with an increasing share of outsourcing and a majority of sales activities conducted through its own global salesforce.

Production cycle

Louis Poulsen's production follows a cycle revolving around two main product launch phases, Spring (February to April) and Fall (September and October), during which new products are formally marketed and sold to end-customers. Each market launch phase is preceded by a corresponding internal preparation phase (November to January and May to June), during which the salesforce deploys marketing content to wholesalers and sells them new products internally, the supply chain is engaged based on demand estimates and the production lines are prepared accordingly and extended, to the extent required. On the sales side, prior to launch, new products are previewed with new and existing customers, who provide feedback to the marketing team to further refine demand estimates, and sales teams are brought in-house to refresh their general sales training and receive specialized training on new products. In the B2B channel, production of custom products is initiated in collaboration with the architects and designers acting as specifiers on the relevant project. In the B2C channel, immediately prior to launch, the sales teams communicate details of the new products to external customers and use social media and other marketing channels to generate interest around the products. During the official launch phase, the marketing team prepares content for the launch, while the new products are distributed to customers and subsidiaries and customer service and technical specifications are prepared.

Overall product development is guided by a five-pronged product strategy of new launches, line extensions, product updates, product modifications and custom designs. New launches comprise newly-designed products and re-launches of heritage designs, either through the reintroduction of designs that were previously produced and have been discontinued or the new introduction of heritage designs that were previously acquired but have not yet been produced, as well as existing product line extensions. Examples of recent new launches include OE quasi, PH septima, Keglen. Line extensions represent additions to an existing product family, such as through new colors or finishes, additional sizes or new lamp types (*e.g.*, creating a pendant version of a floor lamp, or a table version of a pendant lamp). Recent line extensions include Pantella portable, PH artichoke in brass and black. Product updates include upgrades to reflect new technical specifications, such as the upgrade of certain heritage designs to accommodate LED technology. Finally, product modifications and custom designs are undertaken on a case-by-case basis in order to reflect customer requirements, either for an adjustment of an existing design in the case of product modifications or through the design of an entirely new custom product to meet customer specifications. The volume of development within each category is strategically adjusted to account for market trends, technological advances, seasonal selling patterns and customer requirements, with each launch cycle representing a varied concentration of product launches of each type.

Supply Chain Management

Louis Poulsen sources raw materials and components for its products from approximately 225 to 250 suppliers. Louis Poulsen primarily sources raw materials and components that it does not have the capacity or volume to produce internally, such as cast aluminum, polycarbonate items, mouth-blown glass and electrical drivers. A small number of Louis Poulsen suppliers are considered key to its operations due to their expertise and ability in manufacturing sophisticated high-end materials, such as mouth blown glass.

Whilst maintaining low input prices is important to Louis Poulsen, a few of the raw materials used, such as steel, copper and plastic, may be subject to global price volatility. Louis Poulsen does not normally hedge against this risk and believes it has historically been able to pass any such price increases onto customers. See "*Risk Factors—Risks Related to our Business—If prices of the raw materials we employ in our manufacturing processes or of the components or finished products we purchase were to increase, our business could be adversely affected to the extent we are not able to pass any such price increases on to our customers*". Louis Poulsen maintains a high standard of quality control throughout the manufacturing process, with a dedicated internal quality department that inspects raw materials, components and products at all stages of manufacturing and assembly to ensure that they conform to standards. In addition, Louis Poulsen employs a dedicated quality control manager to inspect and monitor the quality of products produced by its production partners in China.

Manufacturing and distribution

Louis Poulsen manufactures its products primarily internally, at the company's plant in Vejen, Denmark. The Vejen plant employs about 263 staff members working on two shifts and has four main buildings used for production, a mechanic workshop, a paint shop, an assembling department, storage for raw material and finished products and offices. Production and logistics flow seamlessly through the Vejen plant beginning at the metal shop, a mechanic workshop with capabilities for grinding, spinning, welding, punching and deep drawing that primarily processes sheet metal (steel, stainless steel, aluminum, copper and brass). Product components are transferred from the metal shop to the paint shop, where they undergo three separate processes: (i) a seven-stage pre-treatment system, (ii) a powder paint system with two spray-boots and (iii) a wet paint system with four spray-boots and a hardening oven. Once painted, the product components are transferred to an assembly area that is organized around 40 U-shaped assembly cells. In the assembly area, products are not only assembled but also tested and packaged, followed by order confirmation and transportation to the finished goods warehouse, where finished products are stored alongside components and products sourced from third-party suppliers. In addition to the main warehouse in Vejen, Louis Poulsen operates three additional distribution centers in the United States, Japan and Singapore to support global sales. European sales are primarily served from the Vejen warehouse, which also supports export activities to Africa, the Middle East and South America. The regional distribution centers ship products directly to retailers and architectural projects, ensuring high responsiveness and short delivery lead times. The warehouse in the United States supports North and Central America and Canada, the warehouse in Japan supports Japan and the Singapore warehouse supports the rest of the APAC region, including Korea.

Although most Louis Poulsen products are produced internally, the B2B portfolio has historically been supplemented by a small number of complementary third-party products, which were generally used to fill gaps in Louis Poulsen's B2B product portfolio and enabled the company to deliver more technical lighting fixtures for both indoor and outdoor projects. However, due to Louis Poulsen's sharpened focus on design philosophy and a more targeted product range, the use of third-party products has decreased in recent years and is being gradually phased out.

Marketing

Prior to Polaris' acquisition of Louis Poulsen in 2014, marketing was solely focused on traditional print media advertising and catalogue production, with a minimal marketing team consisting of a single director supported by two graphic designers. Since 2014, management has invested significantly in the marketing operation, increasing the size of the marketing team to 18 full time employees as of December 31, 2020 and implementing an ambitious reorganization of brand management and communication methodologies. In particular, substantial investment has been made in digital channels and tools, including through the establishment of a digital team comprising seven full time employees, supporting an integrated brand, marketing and online sales effort, and management continues to focus on investments in the digital channel. Other key projects that were realized include a stronger articulation of the brand's core design principles, a process model for the product pipeline and an integrated and consistent campaign management approach, as well as developing the "shop-in-shop" retail concept. This focus on building up a strong and skilled marketing organization reflects the company's ambition to deliver a seamless customer experience across channels and to make Louis Poulsen into a digitally-led lifestyle brand, inspiring the way that its customers' lives are shaped by design and light.

Louis Poulsen's marketing efforts are built around three dimensions: (i) brand management and storytelling, (ii) business development and supporting the sales organization and (iii) retailers. Marketing efforts across all channels are designed to communicate the story of the brand's distinct design and brand philosophy of "Design to Shape Light" and focusing on the brand's Danish design heritage and commitment to the timeless properties of iconic Danish design. The business development and sales organization utilizes digital tools to coordinate efforts surrounding both internal preparations for and external launches of new products, as well as to streamline business relationships between the company's salesforce the end customers and Louis Poulsen. In addition, Louis Poulsen launched a new "shop-in-shop" store concept in 2016, improving store presence through enhanced visibility of the Louis Poulsen brand and supporting retailers by providing an easy-to-implement branded area with specified size and appearance. Providing these stores with branded designs also helps Louis Poulsen to align its brand universe across retailers.

The digital transformation in the marketing sphere enabled Louis Poulsen to explore numerous new marketing possibilities and extend its global reach without incurring significantly increased marketing costs. Louis Poulsen has more than doubled the number of its followers on Instagram, from 150,000 followers in September 2018 to 345,000 followers in March 2021 and increased also the number of its followers on Facebook from 65,000 to 82,400 over the same period. While social media continues to be a primary focus of Louis Poulsen's marketing efforts, print media remains part of the marketing strategy of Louis Poulsen, with print advertising campaigns in luxury design-focused publications such as Elle Décor and Wallpaper focusing on introducing new products and revitalizing heritage designs, through segment-neutral photography focused on brand, design and the product and be appealing to both B2B and B2C customers. Louis Poulsen also publishes its own proprietary magazine, Reflections, which is available online as well as in a printed version, and is sent to Louis Poulsen's e-commerce website customers and distributed in all of Louis Poulsen's physical points of sale and showrooms. Reflections includes editorial storytelling about Louis Poulsen, new launches and campaigns in inspiring interior settings, introductions of Louis Poulsen designers and articles on various topics in the design and lighting technology fields. The content of the magazine is also coordinated with themed web landing pages and newsletters distributed to B2B customers. Louis Poulsen also has seven showrooms where potential customers can experience the Louis Poulsen lighting universe. Showrooms are also utilized to stage new product launches, host professional events and facilitate order intake from retailers, as customers may purchase products from tablet computers that are displayed throughout the showroom, while sales assistants are on hand to provide assistance. Showrooms currently exist in Fort Lauderdale (Florida), Oslo, Copenhagen, Vejen (Denmark), Dusseldorf, Tokyo and Singapore. Louis Poulsen will be part of the rollout of the D-Studio multi-brand and multifunctional flagships in Copenhagen and Milan, which we expect will open in 2021.

Customers

Louis Poulsen serves a diverse range of customers across its B2C and B2B sales channels. Louis Poulsen's most important customer categories in the B2C market are high-end interior design stores (such as Design Within Reach and Paustian), department stores (such as Illums Bolighus and Hyunday, Korea), lighting specialist stores (such as Lysmesteren and Christiania Belysning) and pure online retailers (such as Lumens, Royal Design and nest.co.uk) where Louis Poulsen is able to leverage its strong brand and extensive product portfolio.

Louis Poulsen's B2B business comprises sales through specifiers in professional projects, such as architects, lighting designers, interior designers and building engineers, of both indoor and outdoor lighting solutions. Over the past five years, Louis Poulsen's B2B division has partnered with leading architects such as BIG (Bjarke Ingels Group), Henning Larsen Architects, KHR

Architecture, PLH Arkitekter and Kilo Design in a variety of professional projects across the education and government, business, retail, hospitality, healthcare, residential and other commercial sectors, while the vast majority of B2B Outdoor end-customers are public entities.

At a customer level, sales at Louis Poulsen are highly diversified, with the top 20 customers accounting for only approximately 22% of total revenue for the year ended December 31, 2020, with no one customer accounting for more than 4.4% of total revenue.

Intellectual Property

Louis Poulsen has developed a dedicated strategy to improve the protection of its intangible assets and enforce the underlying intellectual property, which primarily consists of trademarks, designs, copyrights, and domain names. Louis Poulsen owns 34 registered designs, primarily registered in the European Union, the U.S., Japan, China and Norway, covering various lighting fixtures, as well as a large portfolio of Danish, European and other international trademarks, including for the name "Louis Poulsen". Louis Poulsen's portfolio of patents, primarily registered in through the Nordic Patent Service, provides additional protection for the inventions inherent in certain of its products. Louis Poulsen has a zero tolerance policy for intellectual property infringement and regularly enforces and prosecutes unauthorized use of its designs, trademarks and other intellectual property, and each Louis Poulsen subsidiary is assisting with monitoring its local market and reporting any instances of infringement. However, certain of its products and designs may still be copied, and Louis Poulsen may not be able to prevent the production or sale of all such copies. For risks related to intellectual property rights and efforts to protect them, see "*Risk Factors—Risks Related to our Business—If we are unable to protect our license and other intellectual property rights from others, or if counterfeiting increases, our business may suffer, and we may incur significant additional costs*".

Additional intellectual property rights are governed by Louis Poulsen's license agreements with individual designers. See *"—Agreements with Designers*".

Agreements with Designers

As of the date of this Offering Memorandum, Louis Poulsen was party to license agreements with 70 designers (or their legal representatives, in case of deceased designers) in connection with the design of lighting products. These include agreements granting Louis Poulsen the exclusive commercial rights to develop, manufacture, market and sell lighting designs by the "big 5" Danish designers Poul Henningsen (rights to 128 designs), Arne Jacobsen (rights to 30 designs), Verner Panton (rights to eight designs), Vilhelm Lauritzen (rights to 35 designs) and Finn Juhl (rights to five designs). Louis Poulsen's license agreements generally grant Louis Poulsen the exclusive, non-revocable worldwide right to commercially exploit certain specified lighting designs in exchange for royalties paid to the designer or the designer's legal representatives, generally set at a fixed rate per unit sold and reassessed annually to account for changes in product prices. In general, licenses are granted for the duration of the validity of the copyright of the design, which extends for 70 years after the death of the designer. The first of such licenses to expire will do so in 2037. After the relevant expiry date, Louis Poulsen will still be able to produce and sell the designs of such designers, but without exclusivity. In addition, Louis Poulsen relies to a more limited extent on license agreements with other designers to complement its heritage collection that have different terms. Although these license agreements do not have set termination dates, most grant the designers the right to terminate the agreement should certain minimum sales rates fail to be met over a specified period, or should Louis Poulsen significantly reduce or cease production of certain products. Furthermore, license agreements can generally be terminated by the designers or their legal representatives in the case of material breach, for instance if royalties are not paid when due and following notice from the licensor. See "*Risk Factors—Risks Related to our Business—Our business is in part dependent on our ability to negotiate, maintain and renew license agreements with leading designers on satisfactory terms*". Based on the revenues for the year ended December 31, 2020, Louis Poulsen will pay a total of €2.8 million in royalties.

Information Technology

Louis Poulsen currently uses a SAP (Systems Applications and Products in Data Processing) enterprise resource planning software to manage all of its information technology needs worldwide. This centralized infrastructure increases efficiency in the use of software and hardware and enhances product support and cost control, which ultimately, leads to economies of scale. It also facilitates the use of common processes and data structures throughout the business and ensures data consistency and timely data availability for managing Louis Poulsen's business operations. As of December 31, 2020, Louis Poulsen's IT department consisted of six internal full-time employees.

B&B

B&B is one of the world's leading producers of high-end designer furniture for residential and commercial use. B&B was founded in 1966 by Pier Ambrogio Busnelli and Cesare Cassina and the first factory began production in 1968. Originally called C&B (Cassina & Busnelli), the company was renamed B&B Italia S.p.A. in 1973 following Mr. Busnelli's acquisition of Mr. Cassina's shares. B&B has distinguished itself since its founding with its innovative industrial approach to manufacturing, in contrast to the small, traditional artisan competitors that were typical of the home furnishings sector at the time. For example, in 1968, B&B became the first company to apply polyurethane extrusions to a metal skeleton in a mold, allowing for the production of shapes and for consistency of quality that would not be achievable with traditional production methods, and B&B's iconic Coronado sofa became the first ever sofa produced using this method in the same year. Based in Novedrate in northern Italy, B&B operates from a headquarters designed in 1972 by the world-renowned architects Renzo Piano and Richard Rogers. B&B's products have made a rich contribution to the history of Italian design, with styles that represent the union of creativity, innovation and industrial expertise. This approach has garnered B&B numerous international design accolades, including four Compasso d'Oro prizes, the most prestigious industrial design award in Italy. In 1989, B&B became the first company to win the Compasso d'Oro in its own right, rather than for one of its products.

Investindustrial acquired 80% of B&B from the Busnelli family in 2015, and in 2016 B&B acquired a controlling stake in the Italian high-end kitchen design firm Arclinea (currently wholly-owned), creating a partnership that combined B&B's innovative and design-led approach to home furnishings with Arclinea's established pedigree in creating modern kitchens that are both functional and elegant. B&B continues to innovate in production and manufacturing techniques and in 2016 became the first company in Italy to install the "Versalis offline" unit, a completely automatic system for cutting leather. In 2018, Investindustrial and The Carlyle Group acquired B&B (along with Flos and Louis Poulsen) with the goal of creating a global high-end design group that brings together a collection of renowned and complementary brands. B&B now operates as a global business, with points of sale in over 90 countries worldwide, ten flagship stores and over 800 authorized points of sale. For the years ended December 31, 2020 and 2019, B&B generated revenues of €195.8 million and €213.4 million and adjusted EBITDA of €43.6 million and €41.7 million, respectively. B&B' revenues and adjusted EBITDA for the year ended December 31, 2020 represented 37.6% and 33.9% of the Group's consolidated revenues from contracts with customers and revenues related to Design Holding that are generated by each brand, gross of adjustments and eliminations and Adjusted EBITDA for such year, respectively. For the same period, B&B generated approximately 83% of its revenues outside of Italy.

In recognition of its flagship status in the Italian design community, B&B was chosen as the founding member of the Altagamma organization, an association of prominent Italian luxury producers considered leaders in their fields and ambassadors for Italian culture and style throughout the world.

Brands

The B&B group encompasses four brands: B&B Italia (including B&B Italia Outdoor), Maxalto, Arclinea and Azucena. Each brand is distinguished by a unique design identity, while maintaining the design pedigree, quality and precision that defines the B&B group.

B&B Italia

The B&B Italia brand was created in 1966 and comprises a full range of contemporary designer home furnishings, with a focus on innovative contemporary design. The B&B Italia collection includes sofas, chairs, tables, beds, wardrobes, office furnishings and decorative accessories, as well as outdoor furnishings within the B&B Italia Outdoor line. B&B Italia's products are distinguished by their high-end design content, with a particular focus on innovation and technology, and blend contemporary design with timeless taste. B&B Italia products are aimed at highly design-conscious consumers who are able to recognize the brand directly through the product itself. B&B Italia products are also notable for their consistently high quality, which is achieved through primarily internal production, mostly taking place at the company's main manufacturing facilities in Novedrate and Misinto.

The first B&B point of sale was opened in New York in 1976. As of December 31, 2020, there were ten directly operated stores, 32 shop-in-shops, 59 mono-brand stores 13 distributors and 704 multi-brand stores around the world, with a total of 67 points of sale in North America, 54 points of sale in the Far East, 168 points of sale in Italy, 515 points of sale in the rest of Europe and 14 points of sale in the Middle East and the rest of the world. The vast majority of the total points of sale as of such date, sold both B&B Italia and Maxalto products.

Maxalto

Established in 1975, the Maxalto brand is characterized by classical shapes revisited in a contemporary style, with a focus on artisanal craftsmanship and superior woodworking. The design of the collection, coordinated by the celebrated Italian architect and industrial designer Antonio Citterio, is inspired by the romanticism of French design between the two world wars.

Maxalto products are aimed at sophisticated middle class consumers seeking a timeless product, and in emerging markets particularly toward those looking for a classic, European style. Production of Maxalto products is almost completely internal, taking place at B&B's manufacturing facilities in Novedrate and Misinto.

Arclinea

Arclinea began in 1925 as a family-owned woodworking shop, originally producing doors and windows and eventually transitioning to the design and production of kitchens in the 1950s. The first Arclinea kitchen debuted in 1958, and shortly thereafter Arclinea introduced the Claudia, the first kitchen with built-in electrical appliances. Arclinea kitchens blend the materials, methods and functionality of professional kitchens with modern design elements, meeting the practical needs of home cooks while seamlessly blending with the design of the contemporary home. Since 1986, Arclinea has been in partnership with the Italian architect and industrial designer Antonio Citterio, who has been responsible for many of Arclinea's most recognizable and popular designs, including the Italia, first introduced in 1988, the Artusi, first introduced in 1999, and the Principia, first introduced in 2016. The B&B group acquired a majority stake in Arclinea in September 2016 and subsequently acquired full ownership in 2019. Arclinea has continued to invest substantial resources to renew its machinery, systems and software to pursue innovation, quality and excellence.

During the 2018 Milano Design Week, Arclinea inaugurated its new flagship store in Via Durini, Milan, and in 2019, it opened its new show room and training center in Caldogno.

Azucena

Azucena was founded in 1947 by Luigi Caccia Dominioni, Ignazio Gardella and Corrado Corradi Dell'Acqua, with the aim to combine formal elegance, luxury and aesthetical purity, which has resulted in a range of iconic pieces, such as the Catilina chair. B&B acquired Azucena in December 2017, with a focus to preserving its historical value by relaunching a series of "modern classics" pieces that Luigi Caccia Dominioni has plotted since the late 1940s. Azucena's catalogue includes a selection of chairs, sofas, tables and lamps that symbolize the evergreen made in Italy design and represent a cornerstone of style and quality.

The Azucena collection is available in the main B&B mono-brand stores and in selected multi-brand stores worldwide.

Business Divisions

The business of the B&B group is composed of three divisions: (i) the Home division, which comprises retail and wholesale sales of B&B Italia and Maxalto products; (ii) the Contract division, which comprises full "turn-key" fit-outs of commercial and residential properties using both standard and custom B&B products, as well as third-party products, depending on the project; and (iii) the Arclinea division.

Home Division

The Home division focuses on the production of high-end, design-focused furniture primarily for residential applications, distributed to customers through both directly operated retail stores and third-party wholesalers. This division represents the original conception of B&B as a producer of contemporary high-quality furnishings and focuses on the sale of the B&B Italia (including B&B Italia Outdoor) and Maxalto brands.

Contract Division

B&B's Contract division delivers custom "turn-key" furniture solutions and finishes in the residential, hospitality, retail and office sectors. The expertise that the Contract division has built up over the years enables B&B to develop executive and technical projects for hotels, residences, offices, theatres, shops, yachts and cruise ships. The Contract division offers high-quality, custom furniture that is specifically designed, engineered and manufactured for each project, as well as furnishings from the B&B catalogue and complementary items from third-party producers. The materials, finishes, fabrics, leathers and coatings are conceived to meet the precise demands of the contract, both in terms of function (e.g. ease of maintenance, comfort, fire safety and wear and tear) and aesthetics. The Contract division manages complex orders through the entire conception and production cycle, from design and logistics to supply and installation. The activities surrounding the design, production, project management and logistics of large custom projects are fully integrated within the Contract division to enable the efficient and effective execution of contract projects while maintaining the constant pursuit of technical and design excellence.

Contract projects are primarily split into two main categories: (i) complete fit outs, in which B&B designs and fits out an entire interior space, including flooring, wallcoverings and furniture that are all completely custom; and (ii) furniture, fixtures and equipment ("**FFEs**"), in which B&B provides furnishings (either custom or from the standard catalogue) for an existing interior space.

Among some of the notable recent projects completed by the Contract division are the One Thousand Museum by Zaha Hadid Architects in Miami, The Polaris Lounge by Studio SCB Chicago, the Bulgari Hotel in Shanghai, Beijing and Milan by Antonio Citterio and Patricia Viel, The Retreat at Blue Lagoon Iceland by Basalt Architects and Design Group Italia, the Aman Canal Grande hotel in Venice, the Café Royal, the Bulgari Hotel and the Me Hotel in London, the Excelsior Hotel Gallia in Milan, the Peninsula Hotel in Paris, the executive offices of the Abu Dhabi National Oil Company in Abu Dhabi and the Aman Amanera hotel in Santo Domingo, as well as a series of prestigious international projects in the cruise ship and office sectors.

Arclinea Division

Since B&B acquired a majority stake in Arclinea in 2016, it has continued to operate the business as a separate legal entity and division but it has increasingly coordinated certain processes, such as in the Contract and Retail distribution channels (among which the Arclinea DOS that B&B operates in Paris and London).

Design

B&B's strong relationships with international designers and its dedication to continual research and product development have always been key factors in the strategic development of the company. The unique elements that comprise each product are the direct result of the ongoing research, creativity and quality that characterize B&B. B&B has long been recognized for its iconic designs, for which it has received numerous prestigious design prizes, including four Compasso d'Oro prizes (for the "Le Bambole" sofa by Mario Bellini in 1979, for the "Sisamo" wardrobe system by Studio Kairos in 1984, for the "Sity" sofa by Antonio Citterio in 1987 and for the company itself in 1989). Over the past 50 years, B&B has collaborated with some of the world's most prestigious architects and designers, including Afra and Tobia Scarpa, Marco Zanuso, Vico Magistretti, Paolo Piva, Barber & Osgerby, David Chipperfield, Doshi Levien, Michael Anastassiades, Antonio Citterio, Gaetano Pesce, Naoto Fukusawa, Patricia Urquiola, Mario Bellini, Zaha Hadid and many others. B&B currently collaborates with approximately 30 designers, including Antonio Citterio, Naoto Fukusawa, Jeffrey Bernett, Studio Kairos, Massaud, Gaetano Pesce, Buratti, Piero Lissoni and Vincent van Duysen. B&B's products are collected by leading design museums worldwide, including the Design Museum in London and La Triennale di Milano in Milan. Over the years, certain products have become international icons, including the UP5_6 armchair, which is now recognized worldwide with different names, such as "Big Mama" and "Blow Up" for its unique anatomical characteristics and unmistakable anthropomorphous references.

B&B has two art directors, namely Mr. P. Lissoni and Mr. A. Citterio and its internal research and product development team, comprising approximately 20 members, acts as a support network to these designers, working side-by-side with the designers throughout the design process, providing expert support on materials and production technology and enabling the designs to be channeled into successful B&B products. In particular, to become part of any B&B collection, each design must be consistent with the B&B brand philosophy and heritage, so that the B&B imprint may be clearly recognized in any product. Management believes this is one of the key factors that differentiates B&B from its competitors. See "*—Agreements with Designers*" for information on B&B's contractual arrangements with its designers.

Production

B&B maintains a constant focus on research and innovation of shapes and materials and the creation of pioneering process technologies. For example, B&B was the first company in its industry in Italy to apply polyurethane extrusions to a metal skeleton in a mold, which allows to produce shapes with consistency of quality that would not be achievable with traditional production methods. B&B's manufacturing processes aim to maintain traditional handicraft elements while applying them on an industrial scale. B&B's products are primarily manufactured in-house, which contributes to the superior quality that has become synonymous with the brand, with raw materials and components supplied by a diversified group of providers with longstanding relationships. However, part of the production (e.g. outdoor products) is outsourced as needed in order to maintain optimum margins or when specific production processes or materials are required. Production at each of the manufacturing facilities is on an order-driven basis, with approximately four to six weeks of lead time for each order, in addition to the time required for the delivery, which varies depending on the customer's location. See "*—Real Estate—Production Facilities*" for further information on our production facilities. During the manufacturing process, each product is subject to quality control assessments that are performed at various steps by the workers who are directly in charge of the relevant manufacturing phase, as well as by dedicated quality control personnel who provide the final authorization for the release and shipment of the product.

Supply Chain Management

B&B sources raw materials and components for its products from a diverse group of suppliers, primarily located in Italy. Suppliers are carefully selected at the central level to ensure quality of materials and availability of supplies. B&B benefits from long-term relationships with many of its suppliers, primarily sourcing materials it does not have the capacity or volume to produce internally, such as leather, fabrics, iron, plastics, wood, etc.

Marketing

B&B's marketing focuses on both digital and physical marketing, through online and social media, participation to events, print campaigns and public relations activities. The marketing function is primarily organized by business division, although the marketing teams coordinate their actions on a regular basis, including with the Group's marketing team. In addition to traditional print advertising in luxury lifestyle and design publications, B&B maintains a digital presence that is broadly composed of six marketing tools:

- *B&B website.* B&B's website, bebitalia.com, had an average of 1.3 million visits each month in the year ended December 31, 2020. The website is currently available in six languages (Italian, English, German, French, Spanish and Russian) and a Chinese version, bebitalia.cn, was launched to boost online visibility in China, one of B&B's most rapidly growing markets. In addition, B&B's marketing team is planning to launch a new corporate website to enhance its brand recognition and prepare to benefit from the new e-commerce platform that is currently being planned.

- *Newsletter*. B&B also publishes a bi-monthly newsletter, which it distributes to a network of over 30,000 among architects, designers and press.

- *Web advertisement*. In addition to targeted Google advertising and search engine optimization activity based on brand keywords (with B&B ranking third among the large furniture providers in Italy, the U.S., U.K, France and Germany in terms of search engine activity), B&B's web presence is bolstered by its partnership with a variety of architecture and design websites and portals, including Stylepark, Archiexpo, Archiproducts, Interior Design, Architizer and Architonic (on which B&B is the second most visited furniture brand).

- *Social networks*. B&B maintains a strong presence on social media as well, with accounts and/or fan pages on Facebook, Instagram, Pinterest, Twitter, LinkedIn, YouTube, WeChat and Weibo. B&B's social network accounts consistently have one of the biggest fan bases among Italian design companies, with over 443,000 followers as of December 31, 2020.

- *Digital launches of products*. B&B reacted to the limitations imposed by the pandemic by adopting a webinar platform and presenting new products through digital channels, which permitted to maintain direct contact with wholesales, mono-brand and flagship stores around the world.

- *Other digital public relations*. In addition to maintaining its own social media accounts, B&B has recently turned its focus to additional online public relation activities, including partnering with influencers to create native-generated content and increase brand awareness and reputation. These new collaborations led to increased contacts in the U.S and China, leveraging on B&B brand and reputation.

Distribution Channels

B&B's approach to distribution is to make the path from design and production to the end customer as direct and efficient as possible in order to preserve and pass on to the customer a product that represents the unaltered B&B brand identity. Architects and specifiers play a key role at each stage of the distribution process. B&B's distribution is broadly divided into three channels: (i) retail, which comprises directly operated stores; (ii) wholesale, which comprises mono-brand stores (all operated by third parties), shop-in-shops and multi-brand stores; and (iii) contract, which comprises the delivery of custom products in B&B's Contract division.

Retail

B&B operates a retail network of ten directly operated stores in Europe and the United States, with locations in New York City (two stores), Washington D.C., Dallas, Miami, London, Munich, Paris (two stores, of which one for Arclinea) and Milan. In 2019, Arclinea opened a new flagship store in the hearth of Beaupassage, Paris, which is operated by B&B.

Wholesale

B&B's wholesale network comprises 59 mono-brand stores, 32 shop-in-shops and 781 multi-brand stores spread around the globe. Some of these third-party retailers also have e-commerce platforms. Mono-brand stores are similar to B&B's directly operated retail stores in that they only sell products from the B&B brands, but the stores are managed by third parties. Shop-in-shops are in-store branded areas dedicated to B&B products within third-party retailers, with the size and appearance of the display defined by B&B, and multi-brand stores refer to third-party retailers who carry B&B products but do not operate specific B&B branded areas within their shops. The wholesale distribution channels are tailored by geographic region, with each region served by the combination of store types that B&B deems most appropriate for the local market. The table below outlines the breakdown of each store type across the geographic regions in which B&B operated as of December 31, 2020.

Region	Mono-Brand Stores	Shop-in-Shop	Multi-Brand Stores	Total
Italy	1	2	165	168
Rest of Europe	16	11	503	515
America	14	11	55	67
Far East	25	8	45	54
Middle East and Rest of World	3	0	13	14
Total	**59**	**32**	**781**	**818**

B&B enters into standard contracts with its most important wholesalers governing, *inter alia*, (i) the purchase process and the execution of the relevant orders, (ii) the terms of delivery of the products and (iii) the procedure for claims by the wholesaler. Wholesalers generally reach out to B&B to place product orders and may request certain products to be customized. Transportation arrangements with respect to finished goods vary depending on various factors, including the commercial practices of each market, the type of customer and the relevant contract, if applicable. B&B provides wholesalers with a list of recommended retail prices for its products, although wholesalers are not contractually bound to apply such prices.

The wholesale network is served directly from B&B's headquarters. In Europe, including Italy, the network is generally covered by sales agents, except for Greece and Turkey, which are served by local distributors. America and the Far East are primarily covered by B&B's internal salesforce, other than Japan, which is served by a local distributor.

Contract

B&B's contract projects are handled through their own distribution channel, either directly with general contractors in the case of complete fit-outs or through architects and designers for FFEs. Leads are normally pursued by B&B internal salesforce. In addition, some of the B&B directly operated stores, such as the London store, have dedicated Contract teams.

Customers

B&B serves a range of customers, including design-conscious individuals, architects, interior designers and other design professionals in the retail channel, high-end designer furnishings stores in the wholesale channel, and businesses in the residential, hospitality, retail and office sectors in the contract channel, such as hotel chains, and luxury/fashion brands. B&B's customers are highly diversified, with the top 20 customers for the year ended December 31, 2020 accounting for 24.2% of B&B's revenue and no one customer accounting for more than 2.1% of its revenue.

Intellectual Property

B&B primarily protects its intellectual property through the use of registered trademarks and patents. B&B owns three trademark families, "B&B Italia", "Maxalto" and "Arclinea", in addition to "Azucena" which B&B acquired in December 2017, generally on a worldwide basis and covering, among other things, upholstered and wood furniture, lighting fixtures, accessories and textiles. In addition to registered trademarks, B&B owns several *de facto* trademarks covering the names of its products and product lines. B&B has also registered certain of its product designs, although the registration of designs is only undertaken on a case-by-case basis depending on the importance of the product and its market positioning. B&B also owns a portfolio of 146 design patents or design patent applications, primarily registered or under registration in Italy, EU, U.S., Australia and China, and three invention patents registered in Italy, in addition to two invention patents registered by Arclinea. For information on risks related to intellectual property rights and the efforts to protect them, please see "*Risk Factors—Risks Related to Our Business—If we are unable to protect our license and other intellectual property rights from others, or if counterfeiting increases, our business may suffer, and we may incur significant additional costs*".

Outside of registered trademarks and patents, the majority of B&B's intellectual property rights are governed by license agreements with individual designers. See "*—Agreements with Designers*".

Agreements with Designers

B&B's relationships with designers are governed by license agreements. B&B is currently party to 39 license agreements with well-known designers. The license agreements grant the exclusive ownership rights of the intellectual property associated with certain product shapes to the designer, while granting B&B the right to commercially exploit the specified intellectual property on an exclusive basis. The intellectual property that is the subject of the contract is typically referred to in the form of a product list or pictures, rather than a list of registered or unregistered intellectual property rights. As license agreements cover specifically enumerated items of intellectual property, any new designs that are subsequently created for B&B are added to the existing licence agreements. Designers remain free to contract with third parties regarding those designs. The license agreements also normally include arbitration clauses in the case of disputes. License agreements are typically open-ended in duration, with termination clauses in favor of both B&B and the designers, although a few key licenses are subject to 20-year terms. Following termination, the designer is entitled to request a transfer of the intellectual property rights to another party, and designers who terminate their contracts are not limited by non-compete clauses or product originality requirements. Pursuant to most of its license agreements, B&B is required to pay royalties on a quarterly basis to the relevant designers in amounts which are calculated on the basis of the reseller price list relevant for the Italian market. However, for upholstered furniture designs, the net sales used as a basis for the calculation of royalties do not normally include the value of covers and royalties are based off the reseller price list relevant for the Italian market. the upholstery. For the year ended December 31, 2020, B&B paid a total of €4.2 million in royalties to designers. In addition to these standard license agreements, B&B has entered into a very small number of license agreements that provide the relevant designers with additional rights, such as the right to receive upfront one-off payments that are not linked to the relevant products' sales performance or sponsorship fees related to certain events or exhibitions, or our obligations to make investments in marketing activities in connection with certain events, such as a particular anniversary of a product.

Information Technology

B&B has a centralized information technology infrastructure based in Italy for its global operations, with the exception of Arclinea, which has its separate IT infrastructure. B&B's centralized infrastructure increases efficiency in the use of software and hardware, enhances product support and cost control and, ultimately, leads to economies of scale. It also facilitates the use of common processes and data structures throughout the business and ensures data consistency and timely data availability for managing B&B's business operations. B&B's IT department is composed of two functions: Hardware and Telco, which is responsible for network administration and running the IT help desk, and SW and Application Management, which is responsible for the company's intranet, legacy systems, new application development and system management. As of December 31, 2020, the IT department was made up of eight full time employees, plus certain external consultant.

Common Factors Across Flos, B&B and Louis Poulsen

Real Estate

We own certain real estate properties, including production premises and warehouses, and we generally enter into lease agreements, including with respect to flagship stores. The term of lease for our properties is between two and 24 years on average. For the year ended December 31, 2020, we paid a total of €13.7 million in rent and lease obligations.

Flos

Flos owns four material real estate properties: the company's 17,529 square meters headquarters in Bovezzo, assembly premises of 6,187 square meters in Collebeato, office space of 330 square meters in Milan and a 82 square meters flagship store in Rome. The Ares subsidiary also owns three production premises and warehouses in Bernareggio and a warehouse in Aicurzio. Outside of these owned properties, Flos generally enters into commercial lease agreements covering its flagship stores, corporate offices for its local subsidiaries and warehouses. In addition, Flos operates the Antares' headquarters in Valencia under a financial leasing contract. Given the financial nature of the lease, Antares' headquarters are recorded in Flos' financial statements under Property, plant and machinery.

Louis Poulsen

Louis Poulsen does not own any real estate and instead enters into commercial lease agreements covering its head office, production facilities, warehouses and showrooms.

B&B

B&B owns two material properties, namely the headquarters in Novedrate and a manufacturing facility in Misinto. In addition, B&B leases under commercial lease agreements the Arclinea manufacturing facility in Caldogno (which includes the headquarters of the Arclinea business line and a training center), the warehouses for the storage of raw materials, semi-finished products and finished products in Carugo and Arosio and the directly operated retail stores.

B&B's production operations are based in northern Italy, with three manufacturing facilities (the Novedrate and Misinto facilities which are owned and the Caldogno facility which is leased), one research and product development center (which is part of the Novedrate facility), three warehouses for finished products (one rented and two managed by third parties) and one rented warehouse for semi-finished products and outdoor assembly.

Employees

As of December 31, 2020, we had 1,714 total employees, of which 10 employed by Design Holding. Our success is highly dependent on our ability to attract and retain qualified employees. See "*Risk Factors—Risks Related to our Business—Our future success depends on our ability to continue to retain and attract highly skilled employees. The loss of key personnel could have an adverse effect on our operations*". As of December 31, 2020, we estimate that 21% of our employees belonged to trade unions and we believe we have good relationships with both our employees and their labor unions. We are party to collective bargaining agreements in Italy, Denmark and the United States and we believe that the terms of these agreements are consistent with industry practice.

Of the 1,714 employees that we had as of December 31, 2020, 606, 460 and 638 were employed by Flos, Louis Poulsen and B&B, respectively. The table below provides a breakdown of our workers by function, as of such date (excluding 10 individuals employed by Design Holding):

	As of December 31, 2020
Managers	95
Office workers	943
Production workers	660
Management board	6
Total	**1,704**

Legal Disputes and Administrative Proceedings

From time to time, we are involved in administrative, legal and arbitration proceedings that arise in the ordinary course of business and may also be subject to certain audits by tax or social security authorities. See "*Risk Factors—Risks Related to our Business—Potential liabilities and costs from litigation and other proceedings could adversely affect our business*". Moreover, from time to time, former and present directors, officers, agents and employees may be involved in civil and/or criminal proceedings. While in certain cases, there might substantial uncertainty regarding the outcomes of the proceedings and the amount of any possible losses and we cannot rule out that the claims or proceedings could result in rulings against us, we would defend, in any claims or proceedings to the extent necessary and prudent.

Although the outcome of any of these legal disputes, administrative proceedings or audits cannot be predicted with certainty, we do not believe that the ultimate resolution of any current or potential matters of which we are currently aware will have a material adverse effect on our financial conditions or results of operations.

As of December 31, 2020, we had set aside €2.9 million of provisions for risks and charges in connection with legal proceedings.

Insurance

We maintain customary insurance coverage in our primary operating areas. We believe that we have adequate insurance coverage against all material risks that are typically insured by similar companies with comparable risk exposure. Insurance cover is regularly verified and adjusted when necessary. However, we may incur losses that are not covered by existing policies or that exceed the coverage level stipulated in our insurance policies. Furthermore, it is possible that we may not be able to maintain adequate insurance coverage at appropriate premiums in the future. See "*Risk Factors—Risks Related to our Business—Our insurance coverage could prove inadequate*".

Regulatory Environment

We believe that we are substantially in compliance with all applicable laws and regulations, including those regarding the protection of the environment and the health and safety of our employees, as well as the laws and regulations governing the manufacturing of furniture in the various markets in which we operate, based upon existing facts presently known to us. Compliance with local, national and international laws and regulations, including those relating to the discharge of substances into the environment, the disposal of hazardous wastes and other regulated activities has had and will continue to have an impact on our operations, but has to date been accomplished without having a material adverse effect on our operations.

We have trained staff responsible for monitoring compliance with environmental, health and safety requirements. Our goal is to reduce and, whenever possible eliminate the creation of hazardous waste in our manufacturing processes. While it is difficult to estimate the timing and ultimate costs to be incurred for the achievement of such goal due to uncertainties about the status of laws, regulations and technology, based on information currently known to management, we do not expect environmental costs or contingencies to have a material adverse effect on our financial position, results of operations, competitive position or cash flows. However, as the operation of manufacturing plants entails risks in these areas, we cannot be certain that we will not incur material costs or liabilities in the future which could adversely affect its operations. See "*Risk Factors—Risks Related to Our Business—More stringent regulations, including in the area of consumer data privacy, could adversely affect our business, financial condition and results of operations*".

We are also subject to laws and regulations governing the production and sale of lighting devices in each jurisdiction in which we operate. Specifically, when entering a new market or introducing a new product to an existing market, the product shall comply with the requirements of the applicable laws and regulations. Such requirements vary depending on the specific geographical area and may include a manufacturer's so called "Declaration of Conformity" (e.g. in the EU) or a mandatory certification from the relevant authority (e.g. in China). Depending on the country of operations, the process may take from two weeks to several months. As part of the approval process, a change of the product to comply with the requirements could be necessary; furthermore, the relevant authority might ask for certain minor changes to the specifications of the product. Historically, however, we have not experienced any material issues or delays in connection with obtaining regulatory approval for our products. In 2018, the U.S. introduced certain bans on formaldehyde-releasing agents which are often found in, among other things, resins used in the manufacture of composite wood products, glues, paints, coatings and lacquers. As a result of these new rules, B&B adjusted its manufacturing processes to ensure that no such agents were contained in its products, thus demonstrating its ability to promptly adapt its manufacturing standards and processes to the highest industry standards required by the laws of the countries in which it operates, as these may change from time to time. Although this change did not result in any material cost increases, there can be no assurance that future changes in environmental, product safety or other regulations would not result in material increases in raw material costs or delays in production. See "*Risk Factors—Risks Related to Our Business—More stringent regulations, including in the area of consumer data privacy, could adversely affect our business, financial condition and results of operations*".

YDesign

Founded in 2001, YDesign specializes in the offering of modern and contemporary lighting, fans, furniture and accessories to design-driven consumers and trade professionals.

YDesign originally focused on the sale of lighting products, as the group's flagship brand YLighting was launched in 2001. It subsequently created the YDesign brand in 2013 and expanded its operations in Canada, further highlighting its ability to expand within different markets and product categories. To this end, in 2016, YDesign acquired Lumens, a leading multi-channel retail brand in lighting, modern furniture and furnishings, thereby further expanding YDesign's importance within the design lighting sector in the North American market. YDesign generated net sales of USD163.2 million and USD148.1 million for the years ended December 31, 2020 and 2019, respectively, and adjusted EBITDA of USD13.3 million and USD12.0 million for the same periods. See "*Risk Factors—Risks Related to Our Financial Information—The consolidated financial information of YDesign presented herein, including as part of our Pro Forma Synergized EBITDA, was prepared on the basis of U.S. GAAP and is therefore not comparable with the consolidated financial information of the Issuer, which was prepared on the basis of IFRS*".

Online Footprint

YDesign markets its offerings via two websites, YLighting and Lumens. Both websites offer a comprehensive portfolio of brands, including products from some of our brands, as well as other iconic brands such as Artemide, Foscarini, Kartell, Muuto, Nemo, Tom Dixon, which will provide us with access to a sizeable customer base in the United States and Canada. YDesign offers a complementary brand portfolio through YLighting and Lumens, with low customer overlap between the two websites.

YLighting

YLighting is a top-tier online shop focusing on lighting and furniture solutions and specializing in high-end European designer brands. Products sold through this website include numerous iconic pieces, including products from Flos and Louis Poulsen. Following the Acquisition, we expect to begin distributing our B&B products through YLighting and expect this will generate positive synergies. See "*Summary Historical Financial Information and Other Data—Other Financial and Pro Forma Data*". For the year ended December 31, 2020, YLighting generated approximately 36% of YDesign's net sales.

Lumens

Lumens focuses on modern products at different price levels, thus targeting a wide range of consumers. Lumens completes YDesign's offering, as it focuses on a mid-tier market segment, which demands quality products at a broader price range. For the year ended December 31, 2020, Lumens generated approximately 64% of YDesign's net sales.

Customers

YDesign has a large customer base of more than 250,000 active customers over the past 24 months, of whom approximately 100,000 represent repeat customers. YDesign divides its customers in three categories: consumers, trade partners and contract customers.

Consumer

This customer category includes individual homeowners and tenants. Consumers generally order through YDesign's websites or, alternatively, through the sales team. Sales made through the e-commerce platform have grown over time, as a result of, *inter alia*, a shift in consumer purchasing preference to e-commerce, which was further reinforced by the COVID-19 pandemic. For the year ended December 31, 2020, revenues from customers in YDesign's consumer division accounted for approximately 63% of YDesign's net sales.

Trade partners

Trade partners consist of, *inter alios*, interior designers, architects, contractors and business owners. These customers liaise with YDesign to satisfy their and their clients' needs for lighting and furniture solutions. YDesign's dedicated account managers support trade partners through the entire ordering process and provide them with customized advice. Many trade partners rely on YDesign services and products on a regular basis. For the year ended December 31, 2020, revenues from YDesign's trade partners accounted for approximately 27% of YDesign's net sales.

Contract Customers

Contract sales consist of sales to electrical suppliers, purchasing agents and wholesale distributors, purchasing products for commercial projects including hotels, restaurants, and office spaces. For the year ended December 31, 2020, revenues from customers in YDesign's contract division accounted for approximately 10% of YDesign's net sales.

Business Model

Sourcing

YDesign does not manufacture any products. The merchandising team is responsible for maintaining the accuracy of the assortment and identifying new products, which are primarily sourced from European companies or brands in the United States. The merchandising team is also responsible for vendors' compliance with the operational guidelines that YDesign has established to optimize the customer experience. Contracts with vendors usually regulate the main terms of the relationship, including fees, rebates, rules on advertising and allocation of liability for damaged or defective products.

Ordering

Customers can place orders either via YDesign's branded websites or over the phone via YDesign's highly trained salesforce. While orders from consumers are usually made online, trade and contract customers typically prefer to order via YDesign's sales teams, where they are paired with a dedicated account manager.

Delivering

Once orders are received, depending on the availability of such products at YDesign Group's warehouse, the company either instructs the relevant vendor to drop ship products directly to the customer or ships on-hand products directly. Shipping of in-stock products usually occurs within two business days whereas shipping of made-to-order products such as select furniture or back ordered products can take up to a few months.

Customers may return the purchased goods and receive a full refund on most items within 30 days of purchase, if the goods are returned in unused condition. Products that are returned directly to YDesign can be sold as open box inventory, if in like-new conditions.

Marketing

YDesign operates as an online multi-brand seller across two websites and via sales teams, with no showroom or physical footprint. Customers can locate products on the company's websites by either navigating or using the onsite search function. Products are organized by category and brand, and products are also recommended in various locations, based on the customer's search and browse behavior. The website includes detailed descriptions of the main features of each product and a comparison tool allows customers to compare different products. Customer support is offered through dedicated, live customer service and self-service tools.

YDesign markets its products through digital channels including paid and natural (unpaid) search, shopping, affiliate, retargeting, email, social and display advertising as well as direct mail (catalogs), print advertising and public relation efforts. In addition, YDesign has a strong presence on the main social networks, including Pinterest, Instagram and Facebook and is increasing its presence on mobile, through developing a fully responsive site, where customers can explore the catalogue of YDesign's products seamlessly and make purchases.

Commercial Contracts

Agreements with Customers

YDesign does not typically enter into written agreements with consumers or trade partners. Sales to contract customers are conducted on a purchase-order basis and no master or general agreements are entered into in respect thereto.

Agreements with Vendors

YDesign generally uses form vendor contracts with its vendor brands. These contracts typically provide, among others, (a) distribution terms (such as geographical scope), (b) pricing terms and structure (including any discount policy), (c) rebates and terms of cooperative advertisement programs (if any), which are generally calculated based on the company's purchases from the applicable vendor during the relevant period, and (d) YDesign operational terms to provide the best customer experience. While contracts are usually for an indefinite term, they can be terminated for convenience by either party upon prior written notice. YDesign is party to exclusive distributor agreements with certain of its vendors, pursuant to which the company is the exclusive e-commerce distributor of the products of the relevant vendor in the United States and possibly in Canada.

Employees

As of the date of this Offering Memorandum, YDesign has 187 total employees, 185 of whom are full-time and all of whom are based in the United States. YDesign is not party to any collective bargaining agreements and it estimates that none of its employees belong to a labor union. YDesign believes it has good relationships with its employees. See "*Risk Factors—Risks Related to Our Business—Potential liabilities and costs from litigation and other proceedings could adversely affect our business*" for information on a claim brought against YDesign by one of its former employees.

MANAGEMENT

The Issuer

The Issuer is a joint stock company (*società per azioni*) incorporated and existing under the laws of Italy. The Issuer was formed as a limited liability company (*società a responsabilità limitata)* on September 10, 2018 for the purpose of facilitating the acquisition of Flos, B&B and Louis Poulsen and was converted into a joint stock company (*società per azioni*) by way of a resolution of the extraordinary shareholders' meeting on October 23, 2018. The Issuer is registered with the Companies' register of Milan-Monza-Brianza-Lodi under registration number and fiscal code 10462810960. The registered office of the Issuer is at Via Alessandro Manzoni, 38, 20121 Milan, Italy.

Issuer Board of Directors

The board of directors of the Issuer (the "**Issuer Board**") currently comprises four directors. The Issuer Board is responsible for managing the Issuer in accordance with applicable laws, constitutional documents and resolutions of the shareholders' meeting. The principal functions of the Issuer Board is to carry out the business of the Issuer and to legally represent the Issuer in its dealings with third parties. The following table lists the current members of the Issuer Board, together with their age and position within the board. These members will remain in office until approval by the Issuer's shareholders of the Issuer's financial statements for the year ended December 31, 2023. The business address of each member of the Issuer's Board of Directors is the registered address of the Issuer, Via Alessandro Manzoni 38, 20121, Milan, Italy.

Name	Age	Position
Piero Canzani	69	Chairperson
Simone Berton	39	Director
Giovanni Porro	65	Director
Paolo Solari	39	Director

The following is biographical information for each of the members of the Issuer Board:

Piero Canzani. Mr. Canzani holds a certificate in accounting from San Marco college in Bergamo. From 1977 to 1982, Mr. Canzani worked as an auditor at Peat Marwick Mitchell (KPMG). After that, he has been working as consultant at Studio Riccardi Salom Tedeschi in Milano.

Simone Berton. Mr. Berton holds a bachelor in Business and Economics from the Università Cattolica del Sacro Cuore in Milan. In 2007, following his graduation, Mr. Berton worked for a firm specialized in Business and Tax Law. In 2016, Mr. Berton has joined the firm Vanzetta e Associati and has been collaborating with the firm since then.

Giovanni Porro. Mr. Porro holds a bachelor in Economics from the Università Cattolica del Sacro Cuore in Milan. Until 2004 Mr. Porro worked as an accountant in an industrial company. Since 2004, Mr. Porro has joined the firm Riccardi Salom Tedeschi and has been collaborating with the firm since then.

Paolo Solari. Mr. Solari holds a bachelor in Business and Economics from the Università Statale degli Studi di Milano Bicocca. In 2008, following his graduation, Mr. Solari worked for various law firms specialized in Business and Tax Law. In 2015, Mr. Solari has joined the firm Studio Vanzetta e Associati and has been collaborating with the firm since then.

Issuer Board of Statutory Auditors

Pursuant to Italian law, the Issuer has appointed a board of statutory auditors (*Collegio Sindacale*), the objective of which is to oversee the Issuer's compliance with applicable law and with its bylaws, monitor the implementation of best practices, and assess the adequacy of its internal controls and accounting reporting systems, as well as the adequacy of the supply of information to its subsidiaries.

There are presently three auditors and two alternate auditors on the board of statutory auditors of the Issuer. Members of our Board of Statutory Auditors are appointed by our shareholders 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. The following table sets forth the name, age and title of the members of the board of statutory auditors of the Issuer. These members will remain in office until approval by the Issuer's shareholders of the Issuer's financial statements for the year ended December 31, 2023.

Name	Age	Position
Massimiliano Di Maria	50	Chairperson
Silvia Benzoni	39	Auditor
Carlotta Veneziani	40	Auditor
Michela Cassano	33	Alternate Auditor
Mara Vanzetta	54	Alternate Auditor

Design Holding

Design Holding is a joint stock company (*società per azioni*) incorporated and existing under the laws of Italy and was formed on August 1, 2018 for the purpose of facilitating the acquisition of Flos, B&B and Louis Poulsen. Design Holding directly owns the entire share capital of the Issuer and is registered with the Companies' register of Milan-Monza-Brianza-Lodi under registration number and fiscal code 10446470964. The registered office of Design Holding is at Via Alessandro Manzoni, 38, 20121 Milan, Italy. The business address of each member of the Design Holding's Board of Directors is the registered address of Design Holding, Via Alessandro Manzoni 38, 20121, Milan, Italy.

Design Holding Board of Directors

The board of directors of the Design Holding (the "**Design Holding Board**") currently comprises seven directors. The Design Holding Board is responsible for managing Design Holding in accordance with applicable laws, constitutional documents and resolutions of the shareholders' meeting. The principal functions of the Issuer Board is to carry out the business of Design Holding and to legally represent Design Holding in its dealings with third parties. The following table lists the current members of the Design Holding Board, together with their age and position within the board. These members will remain in office until approval by the Issuer's shareholders of the Issuer's financial statements for the year ended December 31, 2023.

Name	Age	Position
Gabriele Del Torchio	70	Chairperson
Massimiliano Caraffa	46	Director
Marco De Benedetti	58	Director
Roberto Maestroni	46	Director
Chiara Palmieri	50	Director
Dante Razzano	72	Director
Alessandro Varisco	55	Director

* Mr. Gabriele Del Torchio has resigned as CEO of the Design Holding, effective as of April 30, 2021, while retaining the role of non-executive Chairperson. We have already started the selection process to identify the new Chief Executive Officer of Design Holding.

The following is biographical information for each of the members of the Design Holding Board:

Gabriele Del Torchio. Mr. Del Torchio is the Chief Executive Officer and Chairperson of Guala Closure and he is currently a board member of Tod's. Mr. Del Torchio served as Chief Executive Officer of Design Holding until April 30, 2021, when he has been appointed as non-executive Chairperson. He was the Chief Executive Officer of Il Sole 24 Ore in 2016, Alitalia from 2013 to 2014, Ducati from 2007 to 2013 and Ferretti Group from 2005 to 2007. He has been board member, among others, of Tecnica, Aereoporto G. Marconi Bologna, Sergio Rossi, Snai, Automobili Lamborghini, Permasteelisa.

Massimiliano Caraffa. Mr. Caraffa is a Managing Director of the Carlyle European Buyout team based in Milan. Prior to joining Carlyle in 2004, Mr. Caraffa has been a Business Analyst and Associate with McKinsey & Company in Milan for three years, where he focused on telecom and financial services. He holds a Master of Science degree in Electronic and Telecommunications Engineering from the University of Genoa and an MBA from INSEAD.

Marco De Benedetti. Mr. De Benedetti received a degree in economics from Wesleyan University in Middletown, Connecticut in 1984 and a master in business administration from the Wharton Business School in 1987. From 1998 to 2005, he was Chief Executive Officer of TIM S.p.A. and from July 2005 to October 2005, chief executive officer of Telecom Italia S.p.A. Since November 2005, he has been a Managing Director of the Carlyle Group and he is also a Co-Head of Carlyle's European Buyout Group. He currently sits on the boards of directors of the Carlyle Group, CEP Advisors S.r.l., Moncler S.p.A., TWINSET S.p.A., Comdata S.p.A.. IRCA S.p.A.. CIR S.p.A.. GEDI S.p.A., Fratelli de Benedetti S.p.A., Orizzonti 2 S.p.A.. HKM Holding B.V. and Marco De Benedetti Consulting S.r.l. In addition, he is a director of the non-profit organization Save the Children Italia.

Roberto Maestroni. Mr. Maestroni is a Senior Principal for Investindustrial's advisory group, which he joined in 1999. Mr. Maestroni is or has been a board member of a number of consumer and industrial companies, including Guala Closures, Artsana, B&B Italia, Design Holding, Flos, Aston Martin, Stroili Oro, Ducati, Snaitech, Perfume Holding and Gardaland. In recent years, he has played a leading role in the advisory team on the investments in Aston Martin, B&B Italia, Ducati, Flos, Perfume Holdings and Stroili Oro. Mr. Maestroni holds a M.Sc. in Business Administration specializing in financial institution management at Bocconi University in Milan, Italy.

Chiara Palmieri. In addition to her role with Design Holding, Ms. Palmieri is a Chief Executive Officer and Founder of TACK SCF S.r.l. and also a board member of numerous companies, including Guala Closures S.p.A., Italmobiliare S.p.A. since 2017 and Snaitech S.p.A. since 2013. In addition, Ms. Palmieri was a board member of Poste Italiane S.p.A. from 2015 to 2017. From November 2013 to December 2019, Ms. Palmieri was Chief Executive Officer at Laprima Holding S.r.l.3 Prior to that, Ms. Palmieri has served as Executive Member of the Private Wealth Management International Management Committee at Goldman Sachs. Ms. Palmieri graduated from Università L. Bocconi in 1994 and then received her Master in Management at HEC Paris.

Dante Razzano. Mr. Razzano joined Investindustrial private equity in January 2004 and is currently Executive Vice Chairman. Previously Mr. Razzano spent 33 years in investment banking. From 1992 to 2003 he was a group director of Morgan Grenfell London (later Deutsche Morgan Grenfell) and established both the investment banking business and private equity business in Italy. From 1986 to 1992 he was managing director and senior investment officer of Citibank NA in New York and CEO of Citicorp's Italian merchant bank and at the same time responsible for their continental merger and acquisitions activity. From 1970 to 1986, he was a Vice President and Group Executive at Manufacturers Hanover Trust in New York (today JP Morgan). Mr. Razzano is today a non-executive director at Artsana S.p.A., Design Holding S.p.A., European Laboratory Solutions S.r.l., Guala Closures S.p.A., Italcanditi S.p.A., Medical Technology and Devices S.A., Speciality Chemicals International Limited and trustee of an English charitable trust. He is a member of "Roma Polo Club" and director at "Foundation Alta Mane", a Swiss charitable foundation; he is also director of "Pinacoteca di Varallo", an Italian museum of art and natural history. Mr. Razzano is "Cavaliere al Merito della Repubblica Italiana", Knight of the Italian Republic. Mr. Razzano is both a U.S. and an Italian citizen.

Alessandro Varisco. Mr. Varisco obtained a degree in economics from Universita` Cattolica di Milano. Mr. Varisco served as key account manager at Pagine Utili since 1993 and in 1996 joined the GTF Group. He became area manager for Italy responsible for the Valentino line and contributing to the company's excellent results in revenue growth. In 1999 he became Italy sales director for Valentino S.p.A. From 2000 to 2004 he worked at Versace S.p.A. in charge of commercial development for Italy and Europe, later becoming their commercial director for Versace Classic and in charge of commercial development in Europe for the Gianni Versace line. From 2004 to 2008 he moved to Gianfranco Ferre` S.p.A. as commercial director for all the lines.

In 2008 he joined the Sixty group's newly acquired company, Roberta Di Camerino S.p.A., as managing director with the goal of repositioning the company in the luxury sector of leather goods. From 2009 to 2015 Mr. Varisco served as Chief Executive Officer of Moschino S.p.A. and he then joined the Twinset group where he currently serves as Chief Executive Officer.

The management team that oversees the operations of the Group is located at the level of Design Holding and reports to the Design Holding Board of Directors.

Design Holding Board of Statutory Auditors

Pursuant to Italian law, Design Holding has appointed a board of statutory auditors (*Collegio Sindacale*), the objective of which is to oversee Design Holding's compliance with applicable law and with its bylaws, monitor the implementation of best practices, and assess the adequacy of its internal controls and accounting reporting systems, as well as the adequacy of the supply of information to its subsidiaries.

There are presently three auditors and two alternate auditors on the board of statutory auditors of Design Holding. Members of our Board of Statutory Auditors are appointed by our shareholders 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. The following table sets forth the name, age and title of the members of the board of statutory auditors of Design Holding. These members will remain in office until approval by Design Holding's shareholders of Design Holding's financial statements for the year ended December 31, 2023.

Name	Age	Position
Maurizio Salom	67	Chairperson
Massimo Gallina	55	Auditor
Mara Vanzetta	54	Auditor
Silvia Benzoni	39	Alternate Auditor
Carlotta Veneziani	40	Alternate Auditor

Group Senior Management

The governance of the Group has been further strengthened by appointing a centralized management team at the level of Design Holding (including the Group Chief Executive Officer and the Group Chief Financial Officer).

In addition to the Group Chief Executive Officer and the Group Chief Financial Officer, the Group Senior Management team is composed of the Chief Executive Officers and Chief Financial Officers at each of Flos, B&B and Louis Poulsen. The following table sets forth the name, age and position of the current senior management of the Group.

Name	Age	Position
Alessandro Poletto	58	Group Chief Financial Officer*
Roberta Silva	56	Flos Chief Executive Officer
Elisabetta Scotti	53	Flos Chief Financial Officer
Gilberto Negrini	51	B&B Chief Executive Officer
Paola Centemero	59	B&B Chief Financial Officer
Søren Mygind Eskildsen	49	Louis Poulsen Chief Executive Officer
Lene Bech Hansen	52	Louis Poulsen Chief Financial Officer

* Pending the selection and appointment of the new Group Chief Executive Officer, Mr. Alessandro Poletto was vested with certain operating powers that were previously vested with Mr. Del Torchio.

In addition, we have also recently reinforced our holding structure through the hires of a Group Chief Digital Officer, Group Head of Contract, Group Head of Marketing, Group Head of Human Resources, Group Head of E-commerce, Group Head of Marketing and Group Head of China, in charge of overseeing the overall operations of the Group and coordinating with each operating company.

In line with the strategy of increasing focus on cross-brand synergistic activities, Søren Mygind Eskildsen has been appointed Vice President Lighting, in charge of overseeing synergies' initiatives among our lighting brands; Gilberto Negrini has been appointed Vice President Interiors and will continue to lead the development of the B&B Italia, Azucena and Maxalto brands and the cooperation with Arclinea.

The following is biographical information for each of the members of the Group Senior Management team:

Alessandro Poletto. Mr. Poletto has served as Chief Financial Officer of the Design Holding Group since 2019. He has over 30 years of experience in financial roles, mainly as CFO of listed Italian companies including Moleskine, Marazzi and Società Metallurgica Italiana (now Kme Group). He developed his professional background in multinational organizations primarily focused on design, manufacruring and sale of branded high-end products. Mr. Poletto graduated from the Università degli Sudi di Brescia, with a bachelor in Business Administration and Management.

Roberta Silva. Ms. Silva is Chief Executive Officer of Flos. Prior to that, Ms. Silva was a Global Retail Director at Bose Corporation, a US multinational manufacturer of high-end electronics. Ms. Silva has also served as a board member at other companies of the Group.

Elisabetta Scotti. Ms. Scotti has served as Chief Financial Officer of Flos since April 2015. Ms Scotti has over 20 years of experience in financial roles, including positions as controller and Chief Financial Officer of several different companies and as Director at PricewaterhouseCoopers for 14 years. Ms. Scotti graduated from Università L. Bocconi in 1992 with a Bachelor in Business administration and management.

Gilberto Negrini. Mr. Negrini is Chief Executive Officer of B&B Italia. From 2009 to 2019, Mr. Negrini held various roles at Kartell S.p.A., including Chief Executive Officer. Prior to that, Mr. Negrini worked as a Sales Director at Cassina S.p.A. and at Foscarini S.p.A. and an Area Manager at Lucenplan S.p.A. Mr. Negrini also found IGL, a lighting company.

Paola Centemero. Paola Centemero has served as Chief Financial Officer of B&B since 2003. Ms. Centemero has over 30 years of experience in financial roles at large international companies, including serving as CFO of Valentino S.p.A., controller of PRADA Group and finance manager at Sara Lee D.E. Italy S.p.A. Ms. Centemero holds a bachelor's degree in business economics from Università L. Bocconi, with a specialization in administration and control.

Søren Mygind Eskildsen. Mr. Eskildsen was appointed Chief Executive Officer of LP in 2017. Mr. Eskildsen brings to LP several years of executive experience, having previously served as Chief Executive Officer of LOGSTOR, Ventilation Holdings ApS, Exhausto and System TM. Mr. Eskildsen began his career at Danfoss, a global business providing components and solutions for industrial heating and cooling, automation and power systems, in 1998 and served in several managerial roles, ultimately becoming Vice President. Mr. Eskildsen received a Bachelor in Science in Engineering from the University of Southern Denmark and an Executive MBA in Change Management from Aarhus Business School.

Lene Bech Hansen. Ms. Hansen has served as Chief Financial Officer of LP since January 2019. Ms. Hansen joined LP in September 2014 as financial manager. Ms. Hansen has over 20 years of experience in financial roles as financial controller, financial manager and consultant at large international companies including Kraft Foods, Cadbury's, Dandy A/S, EY and KPMG. Ms. Hansen received a Bachelor's degree in Economics and Business administration and a Master's degree from the University of Southern Denmark.

Compensation of Directors and Group Senior Management

The total remuneration of the members of the boards of directors of the Issuer and Design Holding and the Group Senior Management team for the year ended December 31, 2020 totaled €6.1 million, of which €3.0 was the remuneration for the Group Senior Management team.

PRINCIPAL SHAREHOLDERS

As of the date of this Offering Memorandum, each of Carlyle and Investindustrial, in equal percentages, have joint beneficial ownership, indirectly through intermediate holding companies, of approximately 96% of the share capital of the Issuer. Certain affiliates participated by the former management of the Group and a member of the Group management, indirectly hold, via Design Holding (and their respective investment vehicles, if any), approximately 2% of the share capital of the Issuer, and the Issuer indirectly owns, via Design Holding, the remaining approximately 2% of its share capital.

Shareholders' Agreement

Certain affiliates of Carlyle and Investindustrial have entered into a shareholders' agreement (the "**Shareholders' Agreement**"). The Shareholders' Agreement governs, among other things, the relationship between Investindustrial and Carlyle with respect to their interests in the direct parent of Design Holding, (International Design Holding S.à r.l.), Design Holding and its subsidiaries, including the Group. The Shareholders' Agreement provides for equal governance rights, whereby each of Carlyle and Investindustrial has the right to appoint an equal number of directors to each of the boards of International Design Holding S.à r.l. and Design Holding. The Shareholders' Agreement also sets forth a procedure for Carlyle and Investindustrial to follow in connection with the joint appointment of the Chief Executive Officer and the Chairman of the board of Design Holding. The board of Design Holding has discretion to manage and control the business of the Group as it deems necessary or appropriate. All significant actions to be taken by the Group require approval of the board of directors of Design Holding, which approval must include the favorable vote of at least one director designated by Carlyle and one by Investindustrial. If a matter is not approved by the board of directors due to a deadlock that is not solved through the procedure set forth in the Shareholders' Agreement, the relevant resolution shall not be adopted. Similar procedures and provisions apply to the decisions of the board of International Design Holding S.à r.l.

Subject to a minimum investment multiple being met and following a certain period of time, in case of an unsolicited offer, either of Carlyle and Investindustrial will be entitled to sell and require the other shareholders to sell all of the share capital of Design Holding or International Design Holding S.à r.l.. Following a minimum lock-up period, either party will have the right to sell the entire share capital of International Design Holding S.à r.l. or Design Holding through a joint sale procedure set out in the Shareholders' Agreement or an initial public offering and, if such sale occurs before a certain period of time has expired, subject to a minimum investment multiple being met. The agreement also provides for the right of each of Carlyle and Investindustrial to cause an initial public offering of Design Holding after a certain period of time has expired, with the other party being entitled to participate in such an initial public offering. The Shareholders' Agreement contains other customary provisions regarding confidentiality information rights and cooperation. Management investing in equity interests of Design Holding have entered into a separate investment agreement with Carlyle and Investindustrial setting forth the terms and conditions of their relationship as shareholders of Design Holding and the transfer regime of the shares held by them, as reflected in Design Holdings' bylaws.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We enter into transactions with certain related parties or our affiliates from time to time and in the ordinary course of our business. We believe these agreements are on terms no more favorable to the related parties or our affiliates than they would expect to negotiate with disinterested third parties.

Management Incentive Plan

Certain members of senior management and certain other employees in key departments of the Group participate in a management incentive plan (the "**Management Incentive Plan**"), pursuant to which International Design Holding S.à r.l., Design Holding and certain managers (the "**Co-Investors**") entered into call option agreements with such Co-Investors.

Pursuant to such call option agreements, each of the Co-Investors has been granted three classes of options, each of which entitles the relevant Co-Investor to subscribe at a certain strike price new shares issued by Design Holding upon occurrence of certain triggering events.

In addition, in connection with the Target Management Reinvestment, we expect to put in place customary compensation schemes for the management of YDesign as of or immediately following the Completion Date, which in the future may result in the issuance of further equity interests of the relevant entity to YDesign management. See "Summary—The Transactions—The Acquisition".

Indemnification Arrangements

To provide protection to individuals serving as our directors and executive officers, the current articles of association provide each of our present and former officers with an indemnity against loss or liability to the extent allowed by law. In addition, we maintain D&O insurance for the entire Group.

Consulting Services

We have entered into a services agreement with our direct parent company, Design Holding, for advisory and coordination activities provided by the group senior management at Design Holding to the Group. For further information, see "*Management—Group Senior Management*".

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following is a summary of the material terms of our principal financing arrangements after giving effect to the Transactions. 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. For further information regarding our existing indebtedness, see "Use of Proceeds", "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Description of Other Financial Arrangements

The following contains a summary of the material provisions of our Revolving Credit Facility and the Intercreditor Agreement. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the underlying documents.

The following summary of certain provisions of the documents listed below governing certain of our indebtedness does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.

Revolving Credit Facility Agreement

Overview and structure

The Issuer as original borrower, and among others, J.P. Morgan Securities plc, UniCredit S.p.A., Goldman Sachs International, DNB Markets, a division of DNB Bank ASA, HSBC Bank plc and Natixis S.A.—Milan Branch, as arrangers and bookrunners (together the "**Arrangers**"), and UniCredit S.p.A., as Revolving Credit Facility Agent and Security Agent, entered into the Revolving Credit Facility Agreement on November 9, 2018.

The Revolving Credit Facility Agreement provides for borrowings up to an aggregate principal amount of €100 million on a committed basis. The Revolving Credit Facility may be utilized by any current or future borrower (subject to certain exceptions) under the Revolving Credit Facility Agreement in euros or certain other currencies by the drawing of cash advances or, subject to the appointment of an Issuing Bank, the issue of letters of credit and/or bank guarantees and by way of Ancillary Facilities (capitalized terms used in this sentence that are not otherwise defined in this Offering Memorandum have the meaning ascribed to them in the Revolving Credit Facility Agreement). Subject to certain exceptions, loans may be borrowed, repaid and re-borrowed at any time. Borrowings are available to be used towards financing or refinancing the general corporate and working capital purposes of the Issuer and its restricted subsidiaries, including the financing of acquisitions and other permitted investments and capital expenditure.

Additional facilities

The Revolving Credit Facility Agreement contemplates the incurrence of additional uncommitted revolving facilities in a maximum amount not to exceed (after taking account of the commitments under the Revolving Credit Facility) the amount able to be incurred under paragraph (a) of the second paragraph of the covenant described under "*Description of Notes—Certain Covenants—Limitation on Indebtedness*", whether as a new facility or commitment, as an additional tranche of any existing facility or by increasing the commitments under an existing facility in all respects. Such additional facilities shall be secured and shall rank *pari passu* with the Revolving Credit Facility. The lenders of any such additional facilities, if not already lenders under the Revolving Credit Facility Agreement, shall be required to accede to the Revolving Credit Facility Agreement and shall have the benefit of the guarantees and Transaction Security (as defined in the Revolving Credit Facility Agreement). The availability, maturity, pricing and other terms of any additional facility shall be those agreed between the Issuer and the relevant lenders of that additional facility, provided that no additional facility may have a maturity date that is earlier than the maturity date of the Revolving Credit Facility unless the maturity date of the Revolving Credit Facility is amended to match that of the additional facility.

Availability

The Revolving Credit Facility may be utilized until the date falling one month prior to the Termination Date (as defined below).

Maturity and repayment requirements

The Revolving Credit Facility matures on 15 May 2025 (the "**Termination Date**"). Each advance shall be repaid on the last day of the interest period relating thereto, subject to a rollover netting mechanism against amounts to be drawn on such date. All outstanding amounts under the Revolving Credit Facility must be repaid in full on or prior to the Termination Date.

Amounts of outstanding loans made under the Revolving Credit Facility repaid by the borrowers may be re-borrowed during the availability period for that facility, subject to certain conditions.

Interest rate and fees

The interest rate on cash advances under the Revolving Credit Facility shall be the percentage rate per annum equal to the aggregate of the applicable margin and applicable LIBOR, EURIBOR, CIBOR, NIBOR or STIBOR (subject, in each case, to a zero floor). The interest rate is also subject to the provisions of Italian law of 7 March 1996 No. 108 *(Disposizioni in materia di usura*), as subsequently amended and supplemented, and any related implementing regulations, such that if the interest (including default interest) payable by a borrower under the Revolving Credit Facility along with any fee or cost or other payments due to the finance parties thereunder, exceeds the maximum rate permitted by such law, the relevant interest rate or default rate shall automatically reduce to the maximum rate permitted to be payable under such laws and related implementing regulations. The initial margin under the Revolving Credit Facility of 3.25% per annum is, subject to a margin ratchet pursuant to which the margin on the loans shall be reduced if certain leverage ratio thresholds are met.

A commitment fee is payable on the aggregate undrawn and uncancelled amount of the Revolving Credit Facility to (and including) the last day of the availability period for the Revolving Credit Facility at a rate of 30% of the then applicable margin for the Revolving Credit Facility. The commitment fee is payable quarterly in arrear during the availability period, on the last day of the availability period and on the date on which a lender's commitment under the Revolving Credit Facility is cancelled.

Default interest is calculated as an additional 1% on the overdue amount.

The Issuer is also required to pay customary agency fees to the Facility Agent and the Security Agent in connection with the Revolving Credit Facility. Customary fees are also payable in respect of any fronted letters of credit issued by an issuing bank.

Guarantees

The Issuer is an original guarantor under the Revolving Credit Facility Agreement (the "**Original Guarantor**"). The Original Guarantor provides, subject to the agreed limitation language in the Revolving Credit Facility Agreement, a senior guarantee of all amounts payable to the Finance Parties (as defined in the Revolving Credit Facility Agreement) by any of the Issuer's restricted subsidiaries which accedes to the Revolving Credit Facility Agreement as an additional borrower or an additional guarantor.

As of the date of this Offering Memorandum, B&B Italia S.p.A., Flos S.p.A., Louis Poulsen A/S and Antares Iluminaciòn, S.A.U. have acceded to the Revolving Credit Facility Agreement as additional guarantors.

The Revolving Credit Facility Agreement requires that (subject to the Agreed Security Principles set out in the Revolving Credit Facility), on the date which is 90 days from the date when each set of Annual Financial Statements (as defined in the Revolving Credit Facility Agreement) is required to be delivered, the aggregate earnings before interest, tax, depreciation and amortization of the guarantors is equal to at least 80% of the Consolidated EBITDA (as defined in the Revolving Credit Facility Agreement) of the Group (as defined in the Revolving Credit Facility Agreement) (the "**Guarantor Coverage Test**"). The Issuer shall ensure that, if the Guarantor Coverage Test is not satisfied on the date when the relevant Annual Financial Statements (as defined in the Revolving Credit Facility Agreement) are required to be delivered to the Facility Agent, within 90 days of such relevant test date, such other restricted subsidiaries of the Issuer (subject to the Agreed Security Principles set out in the Revolving Credit Facility) become guarantors until the Guarantor Coverage Test is satisfied (to be calculated as if such additional guarantors had been guarantors for the purposes of the relevant test and provided that the Guarantor Coverage Test is satisfied within such time period, no default or event of default under the Revolving Credit Facility Agreement or other breach of the Finance Documents (as defined in the Revolving Credit Facility Agreement) shall arise in respect thereof).

The Revolving Credit Facility Agreement also requires that (subject to the Agreed Security Principles set out in the Revolving Credit Facility), on the date when each set of Annual Financial Statements (as defined in the Revolving Credit Facility Agreement) is required to be delivered to the Facility Agent, any restricted subsidiary of the Issuer which is a Material Company (as defined in the Revolving Credit Facility Agreement, being a member of the Group which represents 5% or more of Consolidated EBITDA (as defined in the Revolving Credit Facility Agreement) of the Group (as defined in the Revolving Credit Facility Agreement)) are required (subject to the Agreed Security Principles set out in the Revolving Credit Facility Agreement) to accede as a guarantor by such time, provided that if such requirement has not been satisfied on any date when the Annual Financial Statements (as defined in the Revolving Credit Facility Agreement) are required to be delivered to the Facility Agent, within 90 days of such test date, each Material Company (as defined in the Revolving Credit Facility Agreement) shall (subject to the Agreed Security Principles set out in the Revolving Credit Facility Agreement) become guarantors and if such requirements are satisfied within such time period, no default or event of default under the Revolving Credit Facility Agreement or other breach of the Finance Documents (as defined in the Revolving Credit Facility Agreement) shall arise in respect thereof.

Security

The Revolving Credit Facility (subject to the Agreed Security Principles set out in the Revolving Credit Facility Agreement) is secured by the following existing security:

- pledge over the shares of International Design Group S.p.A., granted pursuant to a deed of pledge entered into on November 22, 2018 (as confirmed and extended pursuant to a deed of confirmation and extension entered into on December 17, 2018) between, inter alios, Design Holding S.p.A., as pledgor, and UniCredit S.p.A., as security agent and representative (*mandatario con rappresentanza*);

- pledge over balance on bank accounts of International Design Group S.p.A., granted pursuant to a deed of pledge entered into on November 22, 2018 between, inter alios, International Design Group S.p.A., as pledgor, and UniCredit S.p.A., as security agent and representative (*mandatario con rappresentanza*);

- assignment by way of security of the intercompany receivables arising under certain proceeds loan agreements of International Design Group S.p.A. vis-à-vis, respectively, Flos S.p.A., B&B Italia S.p.A. and Luminous Designs Investments ApS, granted pursuant to an agreement for the assignment by way of security of receivables entered into on December 17, 2018 between, inter alios, International Design Group S.p.A., as assignor, and UniCredit S.p.A., as security agent and representative (*mandatario con rappresentanza*);

- pledge over the shares of Flos S.p.A., granted pursuant to a deed of pledge originally entered into on 17 December 2018 (as confirmed and extended pursuant to a deed of confirmation and extension entered into on June 5, 2019) between, inter alios, International Design Group S.p.A., Cocoon S.r.l. and Fiore S.r.l. (Cocoon S.r.l. and Fiore S.r.l. now merged by way of incorporation into Flos S.p.A.), as pledgors, and UniCredit S.p.A., as security agent and representative (*mandatario con rappresentanza*);

- pledge over the shares of B&B Italia S.p.A., granted pursuant to a deed of pledge entered into on December 17, 2018 between, inter alios, International Design Group S.p.A., as pledgor, and UniCredit S.p.A., as security agent and representative (*mandatario con rappresentanza*);

- pledge over the shares of Luminous Designs Investments ApS, granted pursuant to a share pledge agreement entered into on December 17, 2018 between, inter alios, International Design Group S.p.A., as pledgor, and UniCredit S.p.A., as security agent and representative (*mandatario con rappresentanza*);

- pledge over the shares of Louis Poulsen A/S, granted pursuant to a share pledge agreement entered into on February 19, 2019 between, inter alios, Luminous Designs Investments ApS (formerly, Luminous Designs Denmark ApS), as pledgor, and UniCredit S.p.A., as security agent and representative (*mandatario con rappresentanza*); and

- pledge over the shares of Antares Iluminaciòn, S.A.U., granted pursuant to a deed of pledge entered into on February 19, 2019 between, inter alios, Flos S.p.A., as pledgor, Antares Iluminación, S.A.U., as company, and UniCredit S.p.A., as security agent and representative (*mandatario con rappresentanza*).

Under the terms of the Intercreditor Agreement, proceeds from the enforcement of the security (whether or not shared with the holders of the Notes) are required to be applied to repay indebtedness outstanding under the Revolving Credit Facility in priority to the Notes.

Representations and warranties

The Revolving Credit Facility Agreement contains certain customary representations and warranties, subject to certain customary materiality, actual knowledge and other qualifications, exceptions and baskets, and with certain representations and warranties being repeated, including: (i) status; (ii) binding obligations; (iii) non-conflict with other obligations; (iv) power and authority; (v) validity and admissibility in evidence; and (vi) governing law and enforcement.

Covenants

The Revolving Credit Facility Agreement contains certain of the same incurrence covenants and related definitions (with certain adjustments) that apply to the Notes. In addition, the Revolving Credit Facility Agreement also contains 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

Current reporting covenants include, among others: (i) annual reports within 120 days after the end of each fiscal year of the Issuer; (ii) quarterly financial statements of the Issuer within 60 days following the end of the Issuer's first, second and third fiscal quarters of each fiscal year; and (iii) promptly after the occurrence of a material event that the Issuer announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the Issuer and the restricted subsidiaries taken as a whole, or a senior executive officer or director changes at the Issuer or the parent of the Issuer responsible for the management of the Issuer and its restricted subsidiaries or a change in auditors of the Issuer, a report containing a description of such event.

The affirmative covenants also include, among others: (i) authorizations and consents, (ii) a *pari passu* covenant; (iii) compliance with laws; (iv) maintenance of Guarantor Coverage Test and security; (v) further assurance; (vi) preservation of assets; (vii) insurance; (viii) maintenance of material intellectual property; (ix) funding of pension schemes provisions; (x) centre of main interests and establishments; (xi) sanctions/anti-corruption; (xii) acquisition of Targets; (xiii) notification of default; and (xiv) compliance certificates.

Negative covenants

The negative covenants in the Revolving Credit Facility Agreement are substantially the same as the negative covenants in the Indenture.

Mandatory prepayment requirements upon a Change of Control

The Issuer is required to notify the Facility Agent under the Revolving Credit Facility Agreement of a Change of Control (as defined in the Revolving Credit Facility Agreement), following which each lender under the Revolving Credit Facility Agreement is entitled to require, by written notice to the Issuer, repayment of all outstanding amounts owed to that lender and the cancellation of that lender's commitments. Notwithstanding the foregoing, any Ancillary Lender or, as the case may be, Issuing Bank may, as between itself and the relevant member of the Group, agree to continue to provide such Ancillary Facility or, as the case may be, Letter(s) of Credit (with such arrangements continuing on a bilateral basis and not as part of, or under, the Finance Documents and the Transaction Security shall not, following release by the Security Agent, secure any such Letter(s) of Credit or Ancillary Facility in respect of any claims that arise after such cancellation). Capitalized terms used in this paragraph that are not otherwise defined in this Offering Memorandum have the meaning ascribed to them in the Revolving Credit Facility Agreement.

Financial covenants

The Revolving Credit Facility Agreement also requires the Issuer to comply with a springing super senior net leverage ratio covenant, being a ratio of Super Senior Indebtedness, net of cash and cash equicalents of the Issuer and its restricted subsidiaries, to Consolidated EBITDA of 2.50:1 (the "**Financial Covenant**"). The Financial Covenant is only tested on the last date of each financial quarter (each such date being a "Test **Date**") and only if, on such date, the aggregate outstanding principal amount of all loans under the Revolving Credit Facility (excluding non-fungible additional commitments and utilizations in respect thereof, utilizations made on the Issue Date and Ancillary Facilities under the Revolving Credit Facility, and utilizations by way of letters of credit (or bank guarantees)), less the aggregate amount of all cash and cash equivalents held by the Group, exceeds 40% of the total commitments of the Revolving Credit Facility (excluding non-fungible additional commitments in respect thereof) as at such date (the "**Test Condition**"). Capitalized terms used in this paragraph that are not otherwise defined in this Offering Memorandum have the meaning ascribed to them in the Revolving Credit Facility Agreement.

A failure to comply with the Financial Covenant when tested shall not (or be deemed to) directly or indirectly constitute, or result in, a breach of any representation, warranty, undertaking or other term in the finance documents related to the Revolving Credit Facility or any default or event of default under the Revolving Credit Facility Agreement, and shall be relevant solely for the purposes of being a condition to the drawing of new utilisations under the Revolving Credit Facility (and new utilisations for these purposes, do not include rollover utilisations).

The Revolving Credit Facility Agreement contains an equity cure provision enabling, within the 20 business day period following the latest date on which each quarterly or annual financial statements of the Group are required to be delivered to the Facility Agent, or at any time prior to such date: (i) the borrowers of the Revolving Credit Facility to repay sufficient utilisations thereunder such that the Test Condition is no longer met (and the Test Condition shall then be deemed not to have been met on the applicable Test Date); or (ii) the net cash proceeds of New Shareholder Injections received by the Issuer to be included in the calculation of Consolidated EBITDA on such Test Date and the next three successive Test Dates solely for the purposes of determining compliance with the Financial Covenant (an "EBITDA Cure"); provided that (x) there shall be no more than two EBITDA Cures in any financial year; (y) there shall be no more than five EBITDA Cures during the life of the Revolving Credit Facility; and (z) New Shareholder Injections provided for EBITDA Cures shall otherwise be disregarded for purposes of determining any financial ratio-based conditions, pricing or any baskets with respect to the covenants contained in the Revolving Credit Facility Agreement.

Events of default

The Revolving Credit Facility Agreement provides for some of the same events of default, with certain adjustments, as under the Notes. In addition, the Revolving Credit Facility Agreement provides for certain customary events of default, all of which are subject to customary materiality and other qualifications, exceptions, baskets and/or grace periods, as appropriate, including: (i) representations or warranties found to be untrue or misleading when made or deemed repeated subject to a 45 day grace period; (ii) unlawfulness and invalidity; (iii) failure to comply in any material respect with the provisions of, or the material obligations under, the Intercreditor Agreement subject to a 30 day grace period; (iv) repudiation and rescission subject to a 30 day grace period; (v) cessation of business; and (vi) expropriation.

For the period from the date of completion of an Approved Acquisition (as such term is defined in the Revolving Credit Facility Agreement), until the date falling 120 days from such date of completion (the "**Clean-Up Period**") the occurrence of any event of default under the Revolving Credit Facility Agreement (an "**Event of Default**") shall be deemed not to be a breach of representation or warranty or a breach of covenant or an Event of Default (as the case may be) if it would have been (but for this provision) a breach of representation or warranty or a breach of covenant or an Event of Default provided that such breach or Event of Default: (i) is capable of being remedied within the Clean-Up Period and the Issuer is taking appropriate steps to remedy such breach or Event of Default; (ii) does not have a Material Adverse Effect (as defined in the Revolving Credit Facility Agreement); and (iii) was not procured or approved by the Issuer. If the relevant circumstances are continuing after the expiry of the Clean-Up Period, there shall be a breach of representation or warranty, breach of covenant or Event of Default, as the case may be (and without prejudice to any rights and remedies of the Finance Parties (as defined in the Revolving Credit Facility Agreement)).

Intercreditor Agreement

Intercreditor Agreement

To establish the relative rights of (i) the Super Senior Creditors (as defined below), the Senior Secured Creditors (as defined below) and the Future Senior Subordinated Creditors (as defined below), (ii) the Issuer, the Guarantor, any future Guarantors in respect of the Notes and any obligor in respect of the Revolving Credit Facility, any other Credit Facility (as defined below), Future Pari Passu Debt (as defined below) and Future Senior Subordinated Debt (as defined below) (collectively, the "**Debtors**"), (iii) the Intragroup Lenders (as defined below) and (iv) the Shareholder Creditors (as defined below), an intercreditor agreement was entered into on November 16, 2018.

By accepting a Note, the relevant holder thereof shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement and shall be deemed to have authorized the Trustee to enter into the Intercreditor Agreement on its behalf.

The following description is a summary of certain provisions, among others, that are contained in the Intercreditor Agreement and which relate to the rights and obligations of the holders of the Notes. It does not restate the Intercreditor Agreement in its entirety. As such, the Intercreditor Agreement should be read because it, and not the description that follows, defines certain rights of the holders of the Notes. Unless expressly stated otherwise in the Intercreditor Agreement, in the event of a conflict between the terms of the Revolving Credit Facility, the Indenture and the Intercreditor Agreement, the provisions of the Intercreditor Agreement prevail.

Capitalized terms used and not defined herein shall have the meaning given to them in the Intercreditor Agreement.

Overview

The Intercreditor Agreement sets out, among other things:

- the relative ranking of certain debt of the Company and certain of its subsidiaries, including the Company in respect of Credit Facility Liabilities (as defined below), the Senior Secured Note

Liabilities (as defined below), Future Pari Passu Debt (as defined below), the Super Senior Hedging Liabilities (as defined below), the Pari Passu Hedging Liabilities (as defined below), the Future Senior Subordinated Debt (as defined below), the Intra-Group Liabilities (as defined below) and the Shareholder Debt Liabilities (as defined below);

- the relative ranking of certain security granted by certain members of the Group (as defined below);
- when payments can be made in respect of certain indebtedness of the Group;
- when enforcement action (including acceleration and/or demand for payment and certain similar actions) ("**Enforcement Action**") can be taken, including in respect of the Transaction Security (as defined below);
- provisions relating to the making of any acceleration or demand for payment in respect of the Notes;
- the terms pursuant to which certain indebtedness is subordinated upon the occurrence of certain insolvency events;
- the requirement to turn over amounts received from enforcement of the Transaction Security;
- when the Transaction Security and any guarantee(s) issued by certain Debtors may be released to permit an enforcement sale;
- the circumstances in which creditors' claims (including noteholders' claims against the Issuer) might be required to be transferred to third parties or released to assist in enforcement; and
- the order for applying proceeds from the enforcement of the Transaction Security and other amounts received by the Security Agent.

Parties

The super senior creditors (together the "**Super Senior Creditors**") include, among others, the agent under the Revolving Credit Facility (the "**Senior Agent**"), the Security Agent, the lenders under the Revolving Credit Facility (the "**RCF Lenders**") and issuing banks and ancillary lenders under the Revolving Credit Facility and the senior secured creditors (together the "**Senior Secured Creditors**") include, among others, the Trustee for the holders of the Notes and the holders of the Notes. The Intercreditor Agreement also allows for accession by creditors of future loan or bond indebtedness incurred by the Debtors (which is permitted by or not restricted under the terms of the finance documents governing the Credit Facilities (as defined below), the Notes, the Future Pari Passu Debt (as defined below) and the Future Senior Subordinated Debt (as defined below)), including any credit facility permitted to share in the Transaction Security and rank senior to the Notes Liabilities and Future Pari Passu Debt Liabilities (as defined below) with respect to the proceeds of any enforcement of Transaction Security (such credit facilities together with the Revolving Credit Facility, the "**Credit Facilities**"), any senior secured notes issued after the Issue Date pursuant to the Indenture ("**Additional Notes**") or other indebtedness permitted to be incurred on a *pari passu* basis to share in the relevant security shared by the Notes Creditors (the "**Future Pari Passu Debt**"), hedge counterparties (the "**Super Senior Hedge Counterparties**") party to interest rate or foreign exchange hedging agreements referred to below, which are secured on a super senior basis with respect to the proceeds of any enforcement of Transaction Security (the "**Super Senior Hedging Agreements**") and hedge counterparties (the "**Non-Priority Hedge Counterparties**" and, together with the Super Senior Hedge Counterparties the "**Hedge Counterparties**") party to interest rate hedging agreements or foreign exchange and certain other hedging agreements which are permitted to be secured on a *pari passu* basis (the "**Pari Passu Hedging Agreements**", and together with the Super Senior Hedging Agreements, the "**Hedging Agreements**"). Finance parties under any Credit Facilities (the "**Credit Facility Creditors**") and Super Senior Hedge Counterparties are also Super Senior Creditors (all Liabilities owing to such parties under the Credit Facilities and the Super Senior Hedging Agreement, the "**Super Senior Liabilities**"). Holders of Future Pari Passu Debt and the

Non-Priority Hedge Counterparties are also Senior Secured Creditors (and all Liabilities owing to the Senior Secured Creditors in respect of the Notes, the Pari Passu Hedging Agreements, the Future Pari Passu Debt, together with the Super Senior Liabilities, the "**Senior Secured Liabilities**", and the Super Senior Creditors and Senior Secured Creditors are together, the "**Priority Secured Creditors**").

The Intercreditor Agreement also allows for accession by creditors of future indebtedness of Design Holdings S.p.A. ("**Holdco**") and/or the Debtors (which is permitted by the terms of the finance documents relating to debt owing to the Super Senior Creditors (other than the Super Senior Hedge Counterparties) and to the Senior Secured Creditors as senior secured creditors (the "**Senior Secured Debt**") and the Future Senior Subordinated Debt (as defined below)) and provided that such future indebtedness complies with agreed parameters (if any) for the relevant class of such future indebtedness. Any such future indebtedness that is subordinated to the Senior Secured Debt and complies with agreed parameters (if any) for senior subordinated debt shall be "**Future Senior Subordinated Debt**" for the purposes of the Intercreditor Agreement. Holders of Future Senior Subordinated Debt are "**Future Senior Subordinated Creditors**". There is a single Security Agent appointed to act on behalf of all Senior Secured Creditors and Future Senior Subordinated Creditors at all times.

Neither the Company nor any of its Restricted Subsidiaries (each a member of the "**Group**") nor shareholder of a member of the Group which is not otherwise party to (1) a document creating security in favour of the Credit Facility Creditors, the Senior Secured Creditors or the Future Senior Subordinated Creditors or (2) the debt documents thereby secured, shall be party to the Intercreditor Agreement save for (i) any person that elects to become party to the Intercreditor Agreement as a Shareholder Creditor (each a "**Shareholder Subordinated Lender**" and together with Holdco, the "**Shareholder Creditors**") (and the Intercreditor Agreement contains subordination provisions and restrictions relating to the receivables owing from any member of the Group to any Shareholder Creditor (the "**Shareholder Debt Liabilities**")), (ii) Holdco in respect of any existing or future proceeds loan made by Holdco to a member of the Group in respect of the proceeds of any Future Senior Subordinated Liabilities of Holdco in its capacity as principal debtor ("**Shareholder (Proceeds Loan) Liability**"), and (iii) subject to certain exceptions, certain Debtors or other members of the Group that lend to a Debtor (each an "**Intragroup Lender**") that shall accede to the Intercreditor Agreement with respect to the loans or indebtedness owing from such Debtor to such lending Debtor or other members of the Group in respect of intra-group loans (other than cash pooling arrangements entered into in the ordinary course of business with any Debtor and loans of less than €25 million or loans outstanding in an aggregate amount of €25 million or more but which are outstanding for less than 90 days) (the "**Intra-Group Liabilities**"). The Intercreditor Agreement contains subordination provisions relating to any Intra-Group Liabilities. However, Debtors are not prohibited from incurring, amending or making payments in respect of any Intra-Group Liabilities until an Acceleration Event under any Secured Debt Document has occurred and is continuing.

Ranking and Priority

Priority of Indebtedness

The Intercreditor Agreement provides that the Liabilities, as the case may be, in respect of the Credit Facilities (the "**Credit Facility Liabilities**"), the Notes (the "**Notes Liabilities**"), the Future Pari Passu Debt (the "**Future Pari Passu Debt Liabilities**"), the amounts owing to the Super Senior Hedge Counterparties under the Super Senior Hedging Agreements (the "**Super Senior Hedging Liabilities**") and the amounts owing to the Non-Priority Hedge Counterparties under the Pari Passu Hedging Agreements (the "**Pari Passu Hedging Liabilities**") and certain costs and expenses of the Notes Trustee (the "**Senior Secured Trustee Liabilities**") rank equally (without preference among them) in right and priority of payment and in priority to the liabilities of Holdco and/or the Debtors, as the case may be, in respect of the Future Senior Subordinated Debt (the "**Future Senior Subordinated Debt Liabilities**"), Shareholder (Proceeds Loan) Liabilities, Intra-Group Liabilities and the Shareholder Debt Liabilities (other than Shareholder (Proceeds Loan) Liabilities).

The Future Senior Subordinated Debt Liabilities rank in priority to the Intra-Group Liabilities and the Shareholder Debt Liabilities. The Shareholder (Proceeds Loan) Liabilities rank in priority to the Intra-Group Liabilities and the Shareholder Debt Liabilities (other than Shareholder (Proceeds Loan) Liabilities).

Other than as provided in the Intercreditor Agreement (including as specified above), the Intercreditor Agreement does not rank any liabilities and/or obligations under the Debt Documents owed by Holdco to any Creditor.

Priority of Security

The Intercreditor Agreement provides that the Transaction Security (as defined below) shall rank and secure the following Liabilities in the following order (and subject to the proceeds of such security being distributed in accordance with the Payments Waterfall (as defined below)):

- first, the Credit Facility Liabilities, the Super Senior Hedging Liabilities, the Notes Liabilities, the Future Pari Passu Debt Liabilities, the Senior Secured Trustee Liabilities and the Pari Passu Hedging Liabilities, *pari passu*, and without preference between them (but only to the extent the relevant Transaction Security is expressed to secure those Liabilities); and
- second, the Future Senior Subordinated Debt Liabilities (but only to the extent the relevant Transaction Security is expressed to secure those Liabilities).

If security is to be granted for a Credit Facility (other than the Revolving Credit Facility) then, to the extent such Credit Facility cannot be secured on a *pari passu* basis with the Liabilities owing by the Debtors to the finance parties under the Revolving Credit Facility (the "**RCF Liabilities**") without existing security first being released, the Parties agree that such Credit Facility will (to the extent permitted by applicable law) be secured pursuant to the execution of additional security documents securing the same assets subject to the relevant security on a second- or lesser- ranking basis and such Credit Facility will nonetheless be deemed and treated for the purposes of the Intercreditor Agreement to be secured by such security *pari passu* with the RCF Liabilities which would otherwise have the same ranking as contemplated above and any amounts to be applied towards such Credit Facility shall be applied in the same manner and order as the RCF Liabilities. In the event that it is not possible to permit the re-creation of additional security documents as referred to above, no amendments or release of security under the existing security documents shall be permitted unless permitted under the documents thereby secured (including, for the avoidance of doubt, the retaking of any such security as required by the relevant secured document), or if not so permitted under a specific document, without the consent of the required creditors under that document.

If security is to be granted for Future Pari Passu Debt then, to the extent such Future Pari Passu Debt cannot be secured on a *pari passu* basis with the Senior Secured Debt without existing security first being released, the Parties agree that such Future Pari Passu Debt will (to the extent permitted by applicable law) be secured pursuant to the execution of additional security documents securing the same assets subject to the relevant security on a second- or lesser-ranking basis and such Future Pari Passu Debt will nonetheless be deemed and treated for the purposes of the Intercreditor Agreement to be secured by such security *pari passu* with Senior Secured Debt which would otherwise have the same ranking as contemplated above and any amounts to be applied towards such Future Pari Passu Debt shall be applied accordingly. In the event that it is not possible to permit the re-creation of additional security documents as referred to above, no amendments or release of security under the existing security documents shall be permitted unless permitted under the documents thereby secured (including, for the avoidance of doubt, the retaking of any such security as required by the relevant secured document), or if not so permitted under a specific document, without the consent of the required creditors under that document.

If security is to be granted for Future Senior Subordinated Debt then, to the extent such Future Senior Subordinated Debt cannot be secured on a subordinated basis with the Senior Secured Debt and/or on a *pari passu* basis with other Future Senior Subordinated Debt without existing security first being released, the Parties agree that such Future Senior Subordinated Debt will (to the extent permitted by applicable law) be secured pursuant to the execution of additional security documents securing the same assets subject to the relevant security on a lesser- ranking basis and such Future Senior Subordinated Debt will nonetheless be deemed and treated for the purposes of the Intercreditor Agreement to be secured by such security as contemplated above and any amounts to be applied towards such Future Senior Subordinated Debt shall be applied accordingly. In the event that it is not possible to permit the re-creation of additional security documents as referred to above, no amendments or release of security under the existing security documents shall be permitted unless permitted under the documents thereby secured (including, for the avoidance of doubt, the retaking of any such security as required by the relevant secured document), or if not so permitted under a specific document, without the consent of the required creditors under that document.

Any guarantees or security to be provided by (or over the shares or assets of) the Company or a Restricted Subsidiary of the Company in respect of the Future Senior Subordinated Debt shall be given on a subordinated basis and shall not be given if such entity has not also given, or does not also give, a corresponding guarantee or security in relation to the Senior Secured Liabilities, and shall only be given to the extent permitted or not prohibited by the finance documents governing the Credit Facilities, the Notes and the Intercreditor Agreement.

Payments and Prepayments; Subordination of the Future Senior Subordinated Debt

The Debtors may make payments and prepayments in respect of the Credit Facility Liabilities, the Super Senior Hedging Liabilities, the Pari Passu Hedging Liabilities, the Notes Liabilities and the Future Pari Passu Debt Liabilities at any time in accordance with their terms until an Acceleration Event has occurred.

Following the occurrence of an Acceleration Event or an Insolvency Event, no member of the Group may make the payments described above except from the proceeds of any guarantee, indemnity or other assurance against loss in respect of any of the Liabilities, the benefit of which (however conferred) is, to the extent legally possible and subject to the Agreed Security Principles, given to all the Priority Secured Parties in respect of their Liabilities (such guarantees, indemnities or other assurances, being the "**Shared Assurances**") or enforcement of security or recoveries distributed in accordance with the section on Application of Proceeds/Waterfall below or as otherwise agreed by the representatives for the Credit Facility Creditors (including the Senior Agent, and each a "**Credit Facility Agent**"), the Notes Trustee and any relevant representative of any Future Pari Passu Debt (each a "**Future Pari Passu Debt Representative**") subject to certain provisos (the "**Payment Block**").

At any time following an Acceleration Event, if the Majority Super Senior Creditors (as defined below) constitute the Instructing Group (as defined below), the Credit Facility Agent may deliver a Payment Block Suspension Notice to the Security Agent which suspends the Payment Block. Only one Payment Block Suspension Notice may be delivered during the life of any Credit Facility in respect of the same event or set of circumstances.

Holdco may make payments and prepayments in respect of Future Senior Subordinated Creditors in respect of any Future Senior Subordinated Holdco Liabilities at any time.

Prior to the discharge of all Senior Secured Liabilities (the "**Senior Secured Debt Discharge Date**"), neither the Issuer nor any member of the Group may make payments in respect of the Future Senior Subordinated Debt Liabilities without the consent of (to the extent prohibited under the relevant documents) the Credit Facility Agent, the Notes Trustee and each Future Pari Passu Debt Representative except for, among others, the following:

(1) if:

(a) the payment is of:

(i) any of the principal or interest (including capitalized interest) amount of the Future Senior Subordinated Debt Liabilities which is either (1) not prohibited from being paid by the Credit Facility finance document, the Indenture or any Future Pari Passu Debt finance document (or, to the extent prohibited, the required consent of the relevant creditors under the relevant finance documents has been obtained for any such payment) or (2) is paid on or after the final maturity of the Future Senior Subordinated Debt Liabilities (provided that such maturity is not earlier than that contained in the documents evidencing the Future Senior Subordinated Debt Liabilities as of the first date of incurrence of such Future Senior Subordinated Debt Liabilities); or

(ii) any other amount which is not an amount of principal or capitalized interest and default interest on the Future Senior Subordinated Debt Liabilities accrued due and payable in cash in accordance with the terms of the relevant debt documents for the Future Senior Subordinated Debt, additional amounts payable as a result of the tax gross up provisions relating to the Future Senior Subordinated Debt Liabilities and amount in respect of currency indemnities in the relevant debt documents for the Future Senior Subordinated Debt,

or, in each case, a corresponding amount of Shareholder (Proceeds Loan) Liabilities;

(b) no notice delivered pursuant to the terms of the Intercreditor Agreement blocking payments in respect of the Future Senior Subordinated Debt Liabilities (a "**Payment Blockage Notice**") is outstanding; and

(c) no payment default under the Revolving Credit Facility (or substantially equivalent provision of any other Credit Facility) and no payment default of €500,000 (or its equivalent in other currencies) or more in respect of the Notes Liabilities or Future Pari Passu Debt Liabilities is continuing (a "**Senior Payment Default**"); or

(2) the Majority Super Senior Creditors (as defined below) and the Majority Senior Secured Creditors (as defined below) gives prior consent to that payment being made;

(3) properly incurred costs, commissions, taxes, consent fees and expenses incurred in respect of (or reasonably incidental to) the Future Senior Subordinated Debt finance documents (including in relation to any reporting or listing requirements under the Future Senior Subordinated Debt finance documents);

(4) properly incurred costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Future Senior Subordinated Debt in compliance with the Intercreditor Agreement, the Credit Facility finance documents, the Indenture and any Future Pari Passu Debt finance document;

(5) in respect of any Future Senior Subordinated Debt issued in the form of notes, certain costs and expenses payable to the Future Senior Subordinated Debt Representative;

(6) if the payment is funded directly or indirectly with Future Senior Subordinated Debt;

(7) if the payment is funded directly or indirectly with an amount which a member of the Group is permitted by the terms of the Credit Facility finance documents, Indenture or any Future Pari Passu Debt finance documents to pay to any person holding a direct or indirect interest in the Company; or

(8) if any other amount not exceeding €5,000,000 (or its equivalent) in any financial year of the Company.

Prior to the Senior Secured Debt Discharge Date, payments in respect of the Future Senior Subordinated Debt Liabilities (other than those consented to by the Majority Super Senior Creditors (as defined below) and Majority Senior Secured Creditors (as defined below) and certain specified exceptions) are suspended if:

(1) a Senior Payment Default has occurred and is continuing; or

(2) if an Event of Default under the finance documents in respect of the Senior Secured Debt (a "**Senior Default**") (other than a Senior Payment Default) has occurred and is continuing, from the date on which the Credit Facility Agent, the Trustee or the Future Pari Passu Debt Representative (as the case may be) (the "**Relevant Representative**") delivers a Payment Blockage Notice specifying the event or circumstances in relation to that Senior Default to the Issuer, the Security Agent and the creditor representative of the Future Senior Subordinated Creditors (the "**Future Senior Subordinated Debt Representative**") until the earliest of:

   (a) the date on which a default under the Future Senior Subordinated Debt occurs for failure to pay principal at the original scheduled maturity of the Future Senior Subordinated Debt;

   (b) the date falling 179 days after the receipt by the Future Senior Subordinated Debt Representative of the Payment Blockage Notice;

   (c) if a Standstill Period (as defined below) is in effect at any time after delivery of a Payment Blockage Notice, the date on which that Standstill Period expires;

   (d) the date on which the relevant Senior Default is no longer continuing and if the Senior Secured Liabilities have been accelerated such acceleration has been rescinded (and if such acceleration consisted solely of declaring the relevant debt payable on demand such rescission can be effected by the relevant majority creditors in respect of the relevant debt);

   (e) the date on which the Relevant Representative which issued the Payment Blockage Notice (and, if at such time a Senior Default is continuing (other than in relation to the Senior Secured Debt in respect of which the notice was given) the Relevant Representative in respect of that other Senior Secured Debt) notifies the Future Senior Subordinated Debt Representative that the Payment Blockage Notice is cancelled;

   (f) the Senior Secured Debt Discharge Date; and

   (g) the date on which the Security Agent or Future Senior Subordinated Debt Representative takes any Enforcement Action against a member of the Group which it is permitted to take in accordance with the Intercreditor Agreement.

No Payment Blockage Notice may be served by a Relevant Representative unless 360 days have elapsed since the immediately prior Payment Blockage Notice. No Payment Blockage Notice may be served in respect of a Senior Default more than 60 days after the date that the Relevant Representative received notice of that Senior Default.

If a Payment Blockage Notice ceases to be outstanding or the relevant Senior Default or Senior Payment Default has ceased to be continuing, the relevant debtor may then make those payments it would have otherwise been entitled to pay under the Future Senior Subordinated Debt and if it does so promptly any Event of Default which may have occurred under the Future Senior Subordinated Debt as a result of that suspension of payment shall be waived and any Future Senior Subordinated Debt Enforcement Notice (as defined below) which may have been issued as a result of that Event of Default shall be waived, in each case without any further action being required on the part of the Future Senior Subordinated Creditors. A Senior Payment Default is remedied by the payment of all amounts then due.

Restrictions on Enforcement by the Future Senior Subordinated Debt; Standstill

Until the Senior Secured Debt Discharge Date, neither the Future Senior Subordinated Debt Representative nor the holders of the Future Senior Subordinated Debt may take any Enforcement Action with respect to the Future Senior Subordinated Debt (including any action against the Company or the guarantors of the Future Senior Subordinated Debt (if any)) or direct the Security Agent to enforce or otherwise require the enforcement of any relevant Transaction Security Document without the prior consent of or as required by an Instructing Group (as defined below), except if (1) an Event of Default has occurred under the Future Senior Subordinated Debt resulting from failure to pay principal at final maturity or (2):

(a) an Event of Default under the Future Senior Subordinated Debt finance documents is continuing;

(b) the Credit Facility Agent, the Trustee and the Future Pari Passu Debt Representative(s) have received notice of the specified Event of Default from the Future Senior Subordinated Debt Representative;

(c) a Standstill Period (as defined below) has expired; and

(d) the relevant Event of Default is continuing at the end of the Standstill Period,

provided that no such action may be taken if the Security Agent is taking Enforcement Action or acting in accordance with the instructions of the Instructing Group (or another party is taking such action or instructions of the Security Agent under and pursuant to the Intercreditor Agreement) to take steps for Enforcement and such action might reasonably likely adversely affect such Enforcement.

Promptly upon becoming aware of an Event of Default under the Future Senior Subordinated Debt finance documents (and prior to taking any Enforcement Action), the Future Senior Subordinated Debt Representative must by notice (a "**Future Senior Subordinated Debt Enforcement Notice**") in writing notify the Credit Facility Agent, the Trustee and the Future Pari Passu Debt Representative(s) of the existence of such Future Senior Subordinated Debt Event of Default.

A "**Standstill Period**" shall mean the period starting on the date that the Future Senior Subordinated Debt Representative serves a Future Senior Subordinated Debt Enforcement Notice on the Credit Facility Agent, the Trustee and the Future Pari Passu Debt Representative(s) in respect of the relevant Event of Default under the Future Senior Subordinated Debt finance documents until the earliest of:

(a) 179 days after such date;

(b) the date on which the Security Agent takes Enforcement Action (including the enforcement of any Transaction Security permitted to be enforced under the terms of the Intercreditor Agreement), provided that if the Standstill Period ends pursuant to the terms in this paragraph, the Future Senior Subordinated Debt Representative and holders of Future Senior Subordinated Debt may only take the same Enforcement Action (and only against the same entity) as is taken by the Security Agent and may not take any other action against any other member of the Holdco Group. Enforcement Action for the purposes of this limb shall not include action taken to preserve or protect Security as opposed to realizing it;

(c) the date on which an insolvency event occurs in respect of a particular Debtor owing any Future Senior Subordinated Debt against whom Enforcement Action is to be taken;

(d) the date on which a default under the Future Senior Subordinated Debt occurs for failure to pay principal at the original scheduled maturity of the Future Senior Subordinated Debt; and

(e) the expiration of any other Standstill Period which was outstanding at the date that the current Standstill Period commenced (other than as a result of a cure, waiver or permitted remedy thereof).

If an Event of Default ceases to be continuing then (provided the relevant parties are made aware of such fact) any relevant enforcement process (including any requirement of consultation relating to enforcement) relying solely on that Event of Default shall cease to continue.

Enforcement by Holders of Secured Debt

Prior to the date upon which all Credit Facility Liabilities are fully discharged and paid in full and the Credit Facilities Lenders are under no further obligation to provide financial accommodation to any of the Debtors under the Credit Facilities (the "**Credit Facility Lender Discharge Date**"), the Security Agent shall act on the instructions of (i) the Credit Facility Lenders and the Super Senior Hedge Counterparties whose super senior credit participations represent more than 50% of the aggregate super senior credit participations of all Credit Facility Lenders and such Super Senior Hedge Counterparties and their relevant representatives (the "**Majority Super Senior Creditors**") and the holders of the Notes, the holders of Future Pari Passu Debt and the Non-Priority Hedge Counterparties (collectively, the "**Pari Passu Creditors**") whose aggregate senior secured credit participations represent more than 50% of the aggregate senior secured credit participations of all such creditors (the "**Majority Senior Secured Creditors**"), in each case subject to the Consultation Period referred to below and provided that such instructions are consistent with the security enforcement principles set forth below or (ii) if prior to the Senior Secured Debt Discharge Date, if both the Majority Senior Secured Creditors and the Majority Super Senior Creditors have instructed the Security Agent not to enforce or to cease enforcing the Transaction Security, the Security Agent shall give effect to any instructions to enforce the Transaction Security (to the extent expressed to secure the Future Senior Subordinated Liabilities) which the Future Senior Subordinated Creditors whose aggregate future senior subordinated credit participations represent more than 50% of the aggregate future senior subordinated credit participations of all Future Senior Subordinated Creditors (the "**Majority Future Senior Subordinated Creditors**") are then entitled to give to the Security Agent.

Following the Credit Facility Lender Discharge Date, the Security Agent shall act on the instructions of the Majority Senior Secured Creditors.

Following the Senior Secured Debt Discharge Date, the Security Agent shall act on the instructions of the Majority Future Senior Subordinated Creditors.

Consultation

Prior to giving any instructions to the Security Agent to commence enforcement of all or part of the Transaction Security and/or the requesting of a Distressed Disposal and/or the release or disposal of claims or Transaction Security on a Distressed Disposal ("**Enforcement**"), the relevant representatives of such Creditors shall notify the Security Agent and the other creditor representatives for each of the Super Senior Creditors and each of the Senior Secured Creditors that the applicable Transaction Security has become enforceable. As soon as reasonably practicable after receipt of such a notice instructing the Security Agent to solicit instructions with respect to (i) the enforcement of the Transaction Security or (ii) taking of any other Enforcement Action by the Majority Super Senior Creditors and/or the Majority Senior Secured Creditors, the Security Agent shall distribute such notice to the relevant addressees promptly upon receipt, following which, the Credit Facility Agent (acting on the instructions of the Majority Super Senior Creditors), the Trustee and the Future Pari Passu Debt Representative shall consult in good faith with each other and the Security Agent for a period of 15 days from the date such notice is received by such persons (or such shorter period as the relevant parties may agree) (the "**Consultation Period**"), with a view to coordinating the instructions to be given by an instructing group and agreeing an enforcement strategy.

No such consultation shall be required (and an Instructing Group shall be entitled to give any instructions to the Security Agent to enforce the Transaction Security or take any other

Enforcement Action prior to the end of the Consultation Period, in each case provided such instructions comply with the Security Enforcement Principles set forth below ("**Qualifying Instructions**")) where:

(a) any of the Transaction Security has become enforceable as a result of an insolvency event affecting a Debtor or Holdco; or

(b) the Majority Super Senior Creditors and/or the Majority Senior Secured Creditors (each an "Instructing Group", provided that (i) with respect to any Enforcement the Instructing Group shall consist of the Majority Super Senior Creditors and the Majority Senior Secured Creditors or (in certain circumstances and subject to certain requirements set out in the Intercreditor Agreement) just the Majority Super Senior Creditors or just the Majority Senior Secured Creditors, (ii) after the Credit Facility Lender Discharge Date the Instructing Group shall be the Majority Senior Secured Creditors and (iii) after the Senior Secured Debt Discharge Date the Instructing Group shall be the Majority Future Senior Subordinated Creditors) determine in good faith (and notifies each other representative of the other creditors party to the Intercreditor Agreement) that any delay caused by such consultation could reasonably be expected to (x) reduce the amount likely to be realized to a level such that (following application thereof in accordance with the Payments Waterfall described below) the Super Senior Liabilities would not be discharged in full or (y) have a material adverse effect on the ability to effect an Enforcement or a Distressed Disposal and, in each case, any instructions shall be limited to those necessary to protect or preserve the interests of the Senior Secured Creditors or, as the case may be, the Super Senior Creditors, on behalf of which the relevant Instructing Group is acting and the Security Agent shall act in accordance with the instructions first received.

If following the Consultation Period, the Majority Super Senior Creditors and/or the Majority Senior Secured Creditors have agreed on an enforcement strategy, the Security Agent shall be instructed to implement the same.

Subject to the paragraph below, in the event that conflicting enforcement instructions (and for these purposes failure to give instructions is deemed to be a conflicting instruction) are received from either Instructing Group by the end of the Consultation Period (which have not been resolved), the Security Agent shall enforce the Transaction Security and/or refrain from enforcing the Transaction Security and/or take the relevant other Enforcement Action in accordance with the instructions provided by the Majority Senior Secured Creditors, in each case provided such instructions are Qualifying Instructions and the terms of all instructions received from the Majority Super Senior Creditors during the Consultation Period shall be deemed revoked.

If prior to the Credit Facility Lender Discharge Date:

(a) the Super Senior Liabilities have not been repaid in full in cash within six months of the end of the Consultation Period;

(b) the Security Agent has not commenced any Enforcement (or any transaction in lieu) or other Enforcement Action within three months of the end of the Consultation Period; or

(c) an insolvency event has occurred with respect to a Debtor or Holdco and the Security Agent has not commenced any Enforcement (or any transaction in lieu) or other Enforcement Action at that time with respect to such Debtor or Holdco,

then the Security Agent shall thereafter follow any instructions that are subsequently given by the Majority Super Senior Creditors (in each case provided the same are Qualifying Instructions) to the exclusion of those given by the Majority Senior Secured Creditors (to the extent conflicting with any instructions previously given by the Majority Senior Secured Creditors).

If the Majority Super Senior Creditors or the Majority Senior Secured Creditors (acting reasonably) consider that the Security Agent is enforcing the Security in a manner which is not consistent with the Security Enforcement Principles, the creditor representatives for the relevant Super Senior Creditors or the Senior Secured Creditors shall give notice to the creditor representatives for the other Super Senior Creditors and the Notes creditors and Future Pari Passu Debt creditors (as appropriate) after which the creditor representatives for the other Super Senior Creditors and the Notes creditors and the Future Pari Passu Debt creditors shall consult with the Security Agent for a period of 10 days (or such lesser period as the relevant creditor representatives may agree) with a view to agreeing the manner of Enforcement provided that such creditor representative shall not be obliged to consult more than once in relation to each Enforcement Action.

The benefit of this section shall be for the Senior Secured Creditors and the Super Senior Creditors only.

Security Enforcement Principles

Unless otherwise agreed between the Majority Super Senior Creditors and the Majority Senior Secured Creditors, enforcement of the Transaction Security must be conducted in accordance with the "**Security Enforcement Principles**", which are summarized as follows:

(a) It shall be the aim of any enforcement of the Transaction Security to maximize, so far as is consistent with a prompt and expeditious realization of value from enforcement of the Transaction Security, and in a manner consistent with the Intercreditor Agreement, the recovery by the Super Senior Creditors, the holders of the Notes, creditors of the Future Pari Passu Debt, the Hedge Counterparties and the creditors of the Future Senior Subordinated Debt (to the extent the Transaction Security is expressed to secure such debt) (in each case without prejudice to the Payments Waterfall) (the "Security Enforcement Objective") subject to applicable law.

(b) The Security Enforcement Principles may be amended, varied or waived with the prior written consent of the Majority Super Senior Creditors, Notes Required Holders (as defined below), the Future Pari Passu Debt Required Holders (as defined below) and, to the extent secured by the Transaction Security, the Future Senior Subordinated Debt Required Holders (as defined below).

(c) Without prejudice to the Security Enforcement Objective the Transaction Security will, subject to applicable law, be enforced such that either (1) all proceeds of Enforcement are received by the Security Agent in cash (or substantially all cash) for distribution in accordance with the Payments Waterfall; or (2) sufficient proceeds of Enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the Payments Waterfall, the Super Senior Liabilities are repaid and discharged in full (unless the Majority Super Senior Creditors agree otherwise).

(d) The Enforcement Action must be prompt and expeditious it being acknowledged that, subject to the other provisions of the Intercreditor Agreement and any requirements of applicable law, the time frame for the realization of value from the Enforcement of the Transaction Security or Distressed Disposal (as defined below) pursuant to Enforcement will be determined by the Instructing Group (as defined below) provided that it is consistent with the Security Enforcement Objective.

(e) On (i) a proposed enforcement of any of the Transaction Security over assets other than shares in a member of the Group, where the aggregate book value of such assets exceeds €5.0 million (or its equivalent); or (ii) a proposed enforcement of any of the Transaction Security over some or all of the shares in a member of the Group over which Transaction Security exists, the Security Agent shall (unless such enforcement or sale is made pursuant to a public auction, a public offering or process supervised by a court of law which makes a determination as to value) obtain an opinion from a reputable internationally recognized investment bank or international accounting firm or other reputable, third-party professional firm that is regularly engaged in providing valuations of businesses or assets similar or comparable to those charged under the Transaction Security to be enforced (a "Financial Advisor") to opine as expert (A) on the optimal method of enforcing the Transaction Security so as to achieve the Security Enforcement Principles and maximize recovery, (B) that the proceeds received from enforcement is fair from a financial point of view after taking into account all relevant circumstances (provided that the provider of such opinion may limit its liability in respect of such opinion to the amount of its fees in respect of such engagement), and (C) that such sale is otherwise in accordance with the Security Enforcement Objective.

(f) The Security Agent shall be under no obligation to appoint a Financial Advisor or to seek the advice of a Financial Advisor, unless expressly required to do so by the Intercreditor Agreement or any other provision of the Intercreditor Agreement.

(g) The opinion of the Financial Advisor (or an equivalent opinion obtained by the Security Agent in relation to any other Enforcement of the Transaction Security that such action is fair from a financial point of view after taking into account all relevant circumstances) will be conclusive evidence that the Security Enforcement Objective has been met.

(h) In the event that an Enforcement of the Transaction Security is over assets and shares referred to in paragraph (d) above and such Enforcement is conducted by way of public auction, any equity investors of the Group shall be entitled to participate in such auction. Nothing in this principle shall require Enforcement of Transaction Security to take place by way of public auction.

(i) In the absence of written notice from a Creditor or group of Creditors that are not part of the relevant Instructing Group that such Creditor(s) object to any Enforcement of the Transaction Security on the grounds that such Enforcement Action does not aim to achieve the Security Enforcement Objective (an "Objection"), the Security Agent is entitled to assume that such Enforcement of the Transaction Security is in accordance with the Security Enforcement Objective.

(j) If the Security Agent receives an Objection (and without prejudice to the ability of the Security Agent to rely on other advisers and/or exercise its own judgement in accordance with this Agreement), a Financial Advisor's Opinion to the effect that the particular action could reasonably be said to be aimed at achieving the Security Enforcement Objective will be conclusive evidence that the requirement of meeting the Security Enforcement objective has been met.

Turnover

The Intercreditor Agreement also provides that if any Primary Creditor (as defined below) receives or recovers the proceeds of any Shared Assurances, any other guarantee, indemnity or assurance, any enforcement of any Transaction Security other than in accordance with the Payments Waterfall, or if any Future Senior Subordinated Debt Creditor or Subordinated Creditor receives or recovers any payment or distribution not permitted under the Intercreditor Agreement or applied other than in accordance with the Payments Waterfall (subject to certain prior actual knowledge qualifications in the case of the notes trustees), then in each case, that Primary Creditor, Future Senior Subordinated Debt Creditor or Subordinated Creditor (as applicable) shall:

- in relation to receipts or recoveries not received or recovered by way of set-off, (i) hold that amount on trust for the Security Agent and promptly pay that amount or an amount equal to that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities owed to such creditor to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- 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.

Application of Proceeds/Waterfall

All amounts received or recovered by the Security Agent pursuant to the terms of any relevant debt document or in connection with the realization or enforcement of all or any part of the Transaction Security or on an Enforcement or Distressed Disposal or otherwise paid to the Security Agent in accordance with the Intercreditor Agreement for application in accordance with the Payments Waterfall (the "**Recoveries**") shall be paid to the Security Agent for application (to the extent permitted by law) in accordance with the following payments waterfall (the "**Payments Waterfall**"):

- first, in payment of the following amounts in the following order (i) *pari passu* and *pro rata* any sums owing to the Trustee and Security Agent (or any receiver or delegate) in respect of their costs and expenses and then (ii) *pari passu* and *pro rata* to each other creditor representative (to the extent not included in (i) above and excluding any Hedge Counterparties as its own creditor representative) in respect of their costs and expenses and any receiver, attorney or agent appointed by such creditor representative under any Transaction Security Document or the Intercreditor Agreement;

- secondly, *pari passu* and *pro rata*, in or towards payment of all costs and expenses incurred by the Priority Secured Creditors 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;

- thirdly, in respect of Recoveries resulting from the realization or enforcement of all or any part of the Transaction Security or a transaction in lieu thereof only, *pari passu* and *pro rata* to (i) the creditor representative(s) in respect of a Credit Facility on its own behalf and on behalf of the Arrangers and Credit Facility Lenders under that Credit Facility in respect of all amounts then due and payable to the Credit Facility Lenders at such time and any related arranger liabilities in accordance with the terms of the Credit Facility finance documents; and (ii) to the Super Senior Hedge Counterparties in respect of amounts then due and payable under any Super Senior Hedging Agreements;

- fourth, *pari passu* and *pro rata* to (i) the creditor representative(s) in respect of a Credit Facility on its own behalf and on behalf of the Arrangers and Credit Facility Lenders under that Credit Facility in respect of all amounts then due and payable to the Credit Facility Lenders at such time and any related arranger liabilities in accordance with the terms of the Credit Facility finance documents; (ii) the Trustee on behalf of the holders of the Notes for application towards the discharge of all Notes Liabilities, (iii) to the representative of the holders of Future Pari Passu Debt on behalf of such holders of Future Pari Passu Debt for application towards the discharge of all Future Pari Passu Debt Liabilities and (iv) to the Hedge Counterparties in respect of amounts then due and payable under any Hedging Agreements;

- fifth, (to the extent such Security secures the Future Senior Subordinated Liabilities) *pari passu* and *pro rata* in or towards payment to the Future Senior Subordinated Debt Representative of all costs and expenses incurred by the holders of Future Senior Subordinated Debt 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;

- sixth, (in respect of Recoveries from the enforcement of Transaction Security only, to the extent such Security secures the Future Senior Subordinated Liabilities) *pari passu* and *pro rata* in or towards payment to the Future Senior Subordinated Representative on behalf of the holders of Future Senior Subordinated Debt for application towards the discharge of all amounts then due and payable to the holders of Future Senior Subordinated Debt at that time; and

- seventh, after the final discharge date, to any relevant Debtor or such other person as may be entitled thereto.

Equalization

If, for any reason:

- any Super Senior Liabilities remain unpaid after the enforcement date and after the application of Recoveries in accordance with the Payments Waterfall and the resulting losses are not borne by the Super Senior Creditors in the proportions which their respective Super Senior Exposures at the enforcement date bore to each other, the Super Senior Creditors will make such payments, from such Recoveries actually applied, amongst themselves as the Security Agent shall require to put the Super Senior Creditors in such a position that (after taking into account such payments) those losses are borne in those proportions; and
- any Senior Secured Liabilities (other than Super Senior Liabilities) remain unpaid after the enforcement date and after the application of Recoveries as defined in, and in accordance with the Payments Waterfall and the resulting losses are not borne by the Senior Secured Creditors in the proportions which their respective Senior Secured Exposures at the enforcement date bore to each other, the Senior Secured Creditors will make such payments, from such Recoveries actually applied, amongst themselves as the Security Agent shall require to put the Senior Secured Creditors and Super Senior Creditors in such a position that (after taking into account such payments) those losses are borne in those proportions.

Acceleration

If an Event of Default occurs under any Credit Facility finance documents, the Notes finance documents, any Future Pari Passu Debt finance documents or any Future Senior Subordinated Debt finance documents, then any decision to accelerate the Credit Facility or Notes or Future Pari Passu Debt or Future Senior Subordinated Debt and, subject as provided below, to take any other Enforcement Action shall be determined in accordance with the provisions of the Credit Facility finance document or the Notes finance document, the Future Pari Passu Debt finance document or the Future Senior Subordinated Debt finance documents (as applicable). The Intercreditor Agreement contains provisions requiring the Credit Facility Agent, the Trustee, each Future Pari Passu Debt Representative and each Future Senior Subordinated Debt Representative to notify the Security Agent if an Event of Default, a Default or an Acceleration Event occurs, and the Security Agent shall, upon receiving that notification, notify each other Creditor Representative and each Hedge Counterparty (in each case in respect of an Event of Default or Default) and each other Party (in respect of an Acceleration Event) under the Intercreditor Agreement.

Non-distressed Disposal

In circumstances where a disposal which is not a Distressed Disposal, or certain other specified transactions are being effected as permitted by the terms of the Credit Facility finance documents, the Notes finance documents, the Future Pari Passu Debt finance documents and the Future Senior Subordinated Debt finance documents, the Intercreditor Agreement provides that the Security Agent is authorized (i) to release the Transaction Security (and in connection with such release, execute any related documents or any other claim over that asset); (ii) in respect of a disposal to a person or persons outside the Group, if the relevant asset consists of shares in the capital of a Debtor, to release the Transaction Security or any other claim in respect of the liabilities secured by the Transaction Security over the shares in the capital of that Debtor, the assets of that Debtor and the shares in and assets of any of its subsidiaries and (iii) execute and deliver or enter into the release of any Transaction Security or claim described in (i) or (ii) above and issue certificates of non-crystallization of any floating charge (to the extent applicable) or any consent to the dealing that the Company may reasonably request.

Distressed Disposal

Where a disposal of an asset, subject to Transaction Security, of a member of the Holdco Group is being effected (i) at the request of the group of creditors entitled to instruct such disposal be made in circumstances where the Transaction Security has become enforceable as a result of an Acceleration Event, (ii) by enforcement of the Transaction Security as a result of an Acceleration

Event, or (iii) after the occurrence of an Acceleration Event or the enforcement of any Transaction Security as a result of an Acceleration Event which is continuing (a "**Distress Event**"), by a Debtor or Holdco to a person or persons which is not a member of the Group (a disposal made in accordance with (i), (ii) or (iii) above, being a "**Distressed Disposal**"), the Intercreditor Agreement provides that the Security Agent is authorized:

(a) to release the Transaction Security, or any other claim over the asset subject to the Distressed Disposal and execute and deliver or enter into any release of that Transaction Security or claim, and issue the letters of non-crystallization of any floating charge (to the extent applicable) or any consent or dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;

(b) if the asset which is disposed of consists of shares in the capital of a Debtor, to release (i) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing liabilities and guarantee liabilities under the Intercreditor Agreement (including any liabilities under the Credit Facility finance documents, the Notes, the Future Pari Passu Debt finance documents and/or the Future Senior Subordinated Debt finance documents ("**Primary Liabilities**") or trading and other liabilities it may have to Shareholder Creditors, Debtors or Intragroup Lenders ("**Other Liabilities**"); (ii) any Transaction Security granted by: that Debtor or any subsidiary of that Debtor over any of its assets; and any holding company of that Debtor over any shares, loans, claims or other rights in or against that Debtor; and (iii) any other claim of a Shareholder Creditor, Intragroup Lender, or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor;

(c) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release (i) that holding company and any subsidiary of that holding company from all or any part of its Primary Liabilities and Other Liabilities; (ii) any Transaction Security granted by: any subsidiary of that holding company over any of its assets; and any holding company of that holding company over any shares, loans, claims or other rights in or claims against that holding company; and (iii) any other claim of a Shareholder Creditor, Intragroup Lender or another Debtor over the assets of any subsidiary of that holding company;

(d) if the asset which is disposed of consists of shares in the capital of a Debtor or a holding company of a Debtor and the Security Agent decides to dispose all or any part of the Liabilities or liabilities owed to any Debtor ("**Debtor Liabilities**") by that Debtor or holding company or any subsidiary of that Debtor or holding companies: (i) if the Security Agent does not intend that any transferee of those Liabilities or Debtor Liabilities be treated as a Primary Creditor or a 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 owed to the Primary Creditors or Debtor Liabilities; (ii) if the Security Agent does intend that any transferee will be treated as a Primary Creditor or a 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 Primary Creditors and all or part of the other Liabilities and the Debtor Liabilities; and

(e) 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 decides to transfer to another Debtor (the "**Receiving Entity**") all or any part of the Disposed Entity's obligations or any obligations of any Subsidiary of that Disposed Entity in respect of the Intra-Group Liabilities or Debtor Liabilities, to execute and deliver or enter into any agreement to: (A) agree to the transfer of all or part of the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities 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) to accept the transfer of all or part of the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities are to be transferred.

If the Instructing Group is constituted by the Majority Senior Secured Creditors, Super Senior Liabilities may not be released or disposed of unless sufficient cash proceeds are received from the relevant Distressed Disposal and applied in discharge in full of all Super Senior Liabilities.

If a Distressed Disposal is being effected at a time when the Majority Future Senior Subordinated Creditors are entitled to give, and have given, enforcement instructions Super Senior Liabilities or Senior Secured Liabilities may not be released or disposed of unless sufficient cash proceeds are received from the relevant Distressed Disposal and applied towards the irrevocable discharge in full of all Super Senior Liabilities and all Senior Secured Liabilities.

If, before the Future Senior Subordinated Debt Discharge Date, and provided that the Company or any guarantor of Future Senior Subordinated Debt has outstanding Future Senior Subordinated Debt Liabilities and provided further that if any Future Senior Subordinated Debt has been incurred by Holdco the proceeds were on-lent or otherwise contributed to the Company pursuant to a shareholder proceeds loan, a Distressed Disposal is being effected such that Future Senior Subordinated Liabilities owed by the Company and/or such guarantors and/or Transaction Security granted by or over the shares in the Company or assets of any such guarantor or the Company will be released, it is a further condition to the release that either:

(1) the Future Senior Subordinated Debt Representative has approved the release on the instructions of the Future Senior Subordinated Debt Required Holders; or

(2) each of the following conditions are satisfied:

   (a) the proceeds of such sale or disposal are in cash (or substantially in cash) and/or other marketable securities or, if the proceeds of such sale or disposal are not in cash (or substantially in cash) and/or other marketable securities, the requirements of sub-paragraph (c)(ii) below are satisfied in relation thereto;

   (b) all present and future obligations owed to the Senior Secured Creditors and the Super Senior Creditors under the Senior Secured Debt documents by a member of the Group all of whose shares that are pledged in favor of the Senior Secured Creditors are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of or transferred concurrently with such sale or disposal (and such obligations are not assumed by the purchaser or one of its affiliates), and all Transaction Security granted by a member of the Group in respect of the liabilities owed to the Senior Secured Creditors and the Super Senior Creditors under the Senior Secured Debt documents in respect of the assets that are so sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale; and

   (c) such sale or disposal is made:

      (i) pursuant to a public auction or public offering; or

      (ii) where an internationally recognized investment bank or an internationally recognized firm of accountants selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view taking into account all relevant circumstances including the method of enforcement and the circumstances giving rise to such sale, provided that the liability of such investment bank or internationally recognized firm of accountants in giving such opinion may be limited to the amount of its fees in respect of such engagement.

Application of Proceeds of a Distressed Disposal

The net proceeds of a Distressed Disposal (and the net proceeds of any disposal of liabilities) shall be paid to the Security Agent (as the case may be) for application in accordance with the provisions set forth under "Application of Proceeds/Waterfall" 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, as if the disposal of liabilities had not occurred.

Voting and Amendments

Voting in respect of the Revolving Credit Facility, the Notes and/or Future Pari Passu Debt shall be in accordance with the relevant documents.

Except for amendments to cure defects or omissions, resolve ambiguities or inconsistencies or to reflect changes of a minor, technical or administrative nature or which are otherwise for the benefit of all or any of the Secured Parties, which may in each case be effected by the Security Agent and the Company without the consent of any other party and subject to the paragraph below, amendments to or waivers and consents under the Intercreditor Agreement shall require the written agreement of:

(a) if the relevant amendment or waiver (the "**Proposed Amendment**") is prohibited by the Revolving Credit Facility Agreement, the Senior Agent (acting on the instructions of the requisite RCF Lenders);

(b) if the Proposed Amendment is prohibited by the terms of the Indenture, the Trustee;

(c) if any Future Pari Passu Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Future Pari Passu Debt Documents, the Future Pari Passu Debt Representative in respect of such Future Pari Passu Debt (if applicable, acting on the instructions of the Future Pari Passu Debt Required Holders;

(d) if any Future Senior Subordinated Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Future Senior Subordinated Debt Documents, the Future Senior Subordinated Debt Representative in respect of such Future Senior Subordinated Debt (if applicable, acting on the instructions of the Future Senior Subordinated Debt Required Holders);

(e) if a Hedge Counterparty is providing hedging to a Debtor under a Hedging Agreement, that Hedge Counterparty (in each case only to the extent that the relevant amendment or waiver adversely affects the continuing rights and/or obligations of that Hedge Counterparty and is an amendment or waiver which is expressed to require the consent of that Hedge Counterparty under the applicable Hedging Agreement, as notified by the Company to the Security Agent at the time of the relevant amendment or waiver);

(f) the Shareholder Creditors; and

(g) the Company,

provided that to the extent an amendment, waiver or consent only affects one class of secured party, and such amendment, waiver or consent could not reasonably be expected to materially and adversely affect the interests of the other classes of secured party, only written agreement from the affected class and the Company shall be required.

Definitions

The Intercreditor Agreement shall provide that:

(a) "**Future Senior Subordinated Debt Required Holders**" means, in respect of any direction, approval, consent or waiver, the holders of Future Senior Subordinated Debt holding in aggregate a principal amount of Future Senior Subordinated Debt which is not less than the principal amount of Future Senior Subordinated Debt required to vote in favor of such direction, consent or waiver under the terms of the relevant documents or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Future Senior Subordinated Debt in accordance with the relevant Future Senior Subordinated Debt Documents;

(b) "**Future Pari Passu Debt Required Holders**" means, in respect of any direction, approval, consent or waiver, the Pari Passu Creditors holding in aggregate a principal amount of Future Pari Passu Debt which is not less than the principal amount of Future Pari Passu Debt required to vote in favor of such direction, consent or waiver under the terms of the relevant documents or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Future Pari Passu Debt, in accordance with the relevant Future Pari Passu Debt Documents;

(c) "**Primary Creditors**" means the Super Senior Creditors, the Notes Creditors, the Future Pari Passu Creditors, the Future Senior Subordinated Creditors and the Non-Priority Hedge Counterparties;

(d) "**Notes Required Holders**" means, in respect of any direction, approval, consent or waiver, the holders of the Notes holding in aggregate a principal amount of Notes which is not less than the principal amount of Notes required to vote in favor of such direction, consent or waiver under the terms of the Indenture or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Notes (as applicable) in accordance with the Indenture;

(e) "**Transaction Security**" means any Security granted by a member of the Holdco Group which in each case, to the extent legally possible and subject to the Agreed Security Principles: (1) is created in favor of the Security Agent as agent or trustee or *mandatario con rappresentanza* for the relevant Secured Parties in respect of their Secured Obligations; or (2) in the case of any jurisdiction in which effective Security cannot be granted in favor of the Security Agent as agent or trustee or *mandatario con rappresentanza* for the Secured Parties, is created in favor of: (i) the relevant Secured Parties in respect of their Secured Obligations; or (ii) (other than for Security governed by Italian law) the Security Agent under a parallel debt structure for the benefit of the Secured Parties in respect of their Secured Obligations.

(f) "**Transaction Security Documents**" means any document entered into by any Debtor or Holdco creating or expressed to create Transaction Security.

Option to Purchase

Following (a) any notice that the Transaction Security has become enforceable; or (b) either (i) an acceleration of the Credit Facility, the Notes, the Future Pari Passu Debt or the Future Senior Subordinated Debt which is continuing, or (ii) a Distress Event, the holders of the Notes and Future Pari Passu Debt shall have an option to purchase all (but not part) of the Credit Facility Lenders' (or their affiliates) commitments under the Credit Facility and all their exposures in respect of any Hedging Agreement at par plus accrued interest and all other amounts owing under the Credit Facility and Hedging Agreements.

Following (a) any notice that the Transaction Security has become enforceable; or (b) a Distress Event, the holders of the Future Senior Subordinated Debt shall have an option to purchase all (but not part) of the Senior Secured Debt at par plus accrued interest and all other amounts owing in respect of such Senior Secured Debt.

Hedging

All payments permitted under a Hedging Agreement (other than close out payments (or payments when a scheduled payment from the hedging counterparty is due and unpaid)) are permitted payments for the purposes of the Intercreditor Agreement.

The Intercreditor Agreement contains provisions in relation to the circumstances in which a Hedge Counterparty may take Enforcement Action in relation to its hedging.

General

The Intercreditor Agreement contains provisions dealing with:

(a) close-out rights for the Hedging Liabilities;

(b) permitted payments (including without limitation, the repayment of Shareholder Debt Liabilities and the payment of permitted distributions in each case to the extent permitted under the terms of the finance documents relating to the Senior Secured Debt and the Future Senior Subordinated Debt);

(c) incurrence of Future Pari Passu Debt or Future Senior Subordinated Debt that allows certain creditors and agents with respect to such Future Pari Passu Debt or Future Senior Subordinated Debt, as the case may be, to accede to the Intercreditor Agreement and benefit from, and be subject to, the provisions of the Intercreditor Agreement (including, without limitation, note trustee protections and permissions associated with the payment of note trustee amounts) so long as not prohibited under the Revolving Credit Facility or the Indenture and in compliance with the agreed parameters for such class of debt (if any) and the Future Senior Subordinated Debt shall be subject to the relevant subordination provisions under the Intercreditor Agreement;

(d) the ability to incur additional Credit Facilities benefiting from a similar position under the terms of the Intercreditor Agreement as the Revolving Credit Facility; and

(e) payments received by creditors which are not permitted by the Intercreditor Agreement shall be required to be held on trust for the Security Agent and provided to the Security Agent for application in accordance with the Payments Waterfall.

Governing law

The Intercreditor Agreement is governed by and construed in accordance with English law.

U.S. BidCo Proceeds Loan

On or about the Completion Date, following the Escrow Release, the Issuer will make available the U.S. BidCo Proceeds Loan to U.S. BidCo in an estimated principal amount of $72.2 million. The proceeds of the U.S. BidCo Proceeds Loan will be used by U.S. BidCo, together with the proceeds from an equity contribution by the Issuer, to complete the Acquisition and pay the associated cost, fees and expenses. For further information, see "*Summary—The Transactions—The Financing of the Acquisition" and "Use of Proceeds*".

Interest on the U.S. BidCo Proceeds Loan is expected to accrue at a rate that we anticipate will be higher than the rate applicable to the Notes.

The U.S. BidCo Proceeds Loan will be a senior obligation of U.S. BidCo. The U.S. BidCo Proceeds Loan will not provide for any undertakings or representations by the parties. The Issuer's interest in the receivables under the U.S. BidCo Proceeds Loan will be assigned by way of security on a firstranking basis as part of the Collateral securing the Notes and the collateral securing the Existing Notes and the Revolving Credit Facility. The Intercreditor Agreement provides that lenders under the Revolving Credit Facility and counterparties to certain future hedging obligations, if any, will receive proceeds from the enforcement of the security over the U.S. BidCo Proceeds Loan in priority to the holders of the Notes.

The agreement regulating the U.S. BidCo Proceeds Loan will be governed by Italian law.

Existing Proceeds Loans

I/C Loans

On November 22, 2018, in connection with the issuance of, and using a portion of the net proceeds from, the Existing Notes, the Issuer, as lender, entered into the Flos I/C Loan Agreement, the B&B I/C Loan Agreement and the Danish HoldCo I/C Loan Agreement (the proceeds of which were used by Danish HoldCo to make available to Luminous Designs Denmark ApS a subsequent proceeds loan), with respectively Flos, B&B and Danish HoldCo.

Each of the Flos I/C Loan Agreement, the B&B I/C Loan Agreement and the Danish HoldCo I/C Loan Agreement, each as amended and restated on or about the Issue Date, is expected to remain outstanding following completion of the Transactions. As of December 31, 2020, an aggregate principal amount equal to €308,150,240.3 was outstanding under the I/C Loans.

The final maturity date of the I/C Loans will be on or about the maturity date of the Notes and the agreements governing the I/C Loans will provide that the relevant borrower shall or may determine to repay any of the I/C Loans (i) on the relevant maturity date; (ii) in such amounts and on such dates (but only to the extent permitted by the Intercreditor Agreement) so as to ensure that the Issuer can make a payment when due (whether upon acceleration or otherwise) in respect of any amount the Issuer shall from time to time pay under the Existing Indenture, any Existing Notes, the Indenture and/or any Note in connection with any repayment, redemption or repurchase of outstanding Existing Notes and/or Notes (whether upon acceleration or otherwise), prior to the final maturity date of the Existing Notes under the Existing Indenture and/or the Notes under the Indenture; (iii) any payment of interest and/or Additional Amount (as defined in the Existing Indenture and/or the New Indenture), due under the Existing Notes and/or the Notes (becoming due and payable for any reason) from time to time, to the extent the relevant borrower is unable to make a dividend or distribution to the lender for such purposes, due to insufficient distributable reserves or due to other restrictions under applicable Italian corporate law up to an overall aggregate amount equal to 20% of the Total Commitment (as defined under the relevant agreements regulating the I/C Loans) as of the signing date of the I/C Loans agreements; and/or (iv) in such amounts and on such dates as may be necessary to avoid any breach of any applicable law or regulation and/or illegality. Other than in the cases described above, the relevant borrower under the I/C Loans may not prepay, in whole or in part, the amounts outstanding under the relevant I/C Loans and no repayment, reduction, extinguishment or equitization of the receivables arising under the relevant I/C Loan agreement may occur.

The I/C Loans do not provide for any undertakings or representations by the parties. The Issuer's interest in the receivables under each of the I/C Loans will be assigned by way of security on a first-ranking basis as part of the Collateral securing the Existing Notes, the Notes and the Revolving Credit Facility. The Intercreditor Agreement provides that lenders under the Revolving Credit Facility and counterparties to certain future hedging obligations, if any, will receive proceeds from the enforcement of the security over the I/C Loans in priority to the holders of the Existing Notes and/or the Notes.

The agreements regulating each of the I/C Loans are governed by Italian law.

See also *"Risk factors—Risks Related to the Notes, the Notes Guarantees and the Collateral—Our right to receive payments under the I/C Loans may be subordinated by law to the obligations of other creditors".*

Bilateral Facilities

Both Flos and B&B are parties to various uncommitted bilateral facilities and overdraft lines agreements with local banks pursuant to which certain short term working capital, export finance and general corporate purposes facilities have been obtained to finance their operations and liquidity needs (the "**Short Term Bilateral Facilities**"). The Short Term Bilateral Facilities are unguaranteed obligations of each of Flos and B&B. These unsecured and uncommitted credit facilities generally relate to overdraft protection and trade credit facilities, and are utilized from time to time as part of the cash management. Some of these credit facilities also provide for the ability of the relevant company to request the issuance of letters of credit (*linee di firma*) by the relevant financial institution in connection with the day-to-day operations. As of December 31, 2020, €39,896,226 was outstanding under the Short Term Bilateral Facilities. See "*Capitalization*".

LP is party to an uncommitted bilateral DKK 70 million (ca. €9.4 million) overdraft line agreement with a local bank pursuant to which certain short term working capital and general corporate purposes facilities have been obtained to finance its operations and liquidity needs (the "**LP Bilateral Facilities**"). The LP Bilateral Facilities are unguaranteed obligations of LP. The unsecured and uncommitted credit facilities generally relate to overdraft protection. The LP Bilateral Facilities is subject to renegotiation once a year, the next time being on or before September 30, 2021.

Off-Balance Sheet Bank Guarantees (fideiussioni bancarie)

In the ordinary course of business, Flos and B&B are required to provide certain bank guarantees (*fideiussioni bancarie*) for the purpose of guaranteeing their obligations under certain commercial agreements. Such guarantees are generally issued by commercial banks. As of December 31, 2020, Flos and B&B had obtained bank guarantees in an aggregate outstanding amount of approximately €378,976 and €8,465,949.33, respectively.

Intercompany Loans

B&B, as lender, has granted, in the ordinary course of business and/or in order to optimize the cash flow management of the B&B Group, various unsecured and interest bearing intercompany loans to certain of its subsidiaries in order to support their financial requirements. We expect that these intercompany loans will remain outstanding following the Transactions.

Cash Pooling Arrangements

The Issuer, Flos and B&B have in place a cash pooling system to manage their cash shortfalls and surpluses, backed up by bank account and overdraft facility agreements entered into by and between the Issuer and the relevant subsidiaries, as participating companies, and UniCredit S.p.A., as contracting bank.

Existing Fixed Rate Notes

On November 16, 2018, the Issuer issued €400.0 million in aggregate principal amount of its 6.5% Senior Secured Rate Notes due 2025, under the Existing Indenture. The Existing Fixed Rate Notes will mature on November 15, 2025, unless earlier redeemed or repurchased and cancelled in accordance with the Existing Indenture.

The terms of the Existing Fixed Rate Notes are substantially similar to the terms of the Notes offered hereby. See "Summary—*The Offering*" and "*Description of Notes—Certain Covenants*". The Issuer is required to pay interest on the Existing Fixed Rate Notes semi-annually in arrears on each May 15 and November 15, in accordance with applicable provisions of law and the terms and conditions of the Existing Fixed Rate Notes. The Existing Fixed Rate Notes are listed on the Official List of the Luxembourg Stock Exchange and on the Vienna Stock Exchange and admitted to trading on the Euro MTF Market and the Third market (MTF) operated by the Vienna Stock Exchange, in accordance with the rules and regulations of such exchanges.

The Notes will trade separately under different ISIN/Common Code numbers than the Existing Fixed Rate Notes and will not be fungible with them. The Existing Fixed Rate Notes sold under Regulation S have been accepted for clearance through the facilities of Euroclear and Clearstream under common code and ISIN code 190824896 and XS1908248963, respectively. The Existing Fixed Rate Notes sold under Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under common code and ISIN code 190825787 and XS1908257873, respectively.

DESCRIPTION OF NOTES

General

In this description, (1) the terms "*we*", "*us*" and "*our*" each refer to International Design Group S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of Italy (the "**Issuer**"), and its consolidated Subsidiaries, including, following completion of the Acquisition, YDesign Group, LLC, a Delaware limited liability company (the "**Target**" or "**YDesign**") and its consolidated Subsidiaries (together with the Target, the "**Target Group**") and (2) the term "Issuer" in this "Description of Notes" refers only to International Design Group S.p.A. and not to any of its Subsidiaries. Capitalized terms used in this "Description of Notes" section and not otherwise defined have the meanings set forth in the section "*—Certain Definitions*".

For purposes of this description, the €470.0 million aggregate principal amount of Senior Secured Floating Rate Notes due 2026 are collectively referred to as the "**Notes**". The Notes are to be issued under an indenture (the "**Indenture**"), to be dated as of the Issue Date, among the Issuer and The Law Debenture Trust Corporation plc, as trustee (in such capacity, the "**Trustee**"), legal representative of the holders of the Notes (*mandatario con rappresentanza)* under the Indenture and common representative (*rappresentante comune*) of the holders of the Notes pursuant to articles 2417 and 2418 of the Italian Civil Code, and UniCredit S.p.A., as security agent (the "**Security Agent**") and as representative (*rappresentante*) pursuant to and for the purposes set forth under article 2414-*bis*, 3rd para. of the Italian Civil Code (in such capacity, the "**Representative**"). The Notes will be issued in a private transaction that is not subject to the registration requirements of the Securities Act, and the Indenture will not be qualified under or subject to, and will not incorporate (by reference or otherwise), any of the provisions of the U.S. Trust Indenture Act of 1939, as amended.

Upon the initial issuance of the Notes, the Notes will be obligations solely of the Issuer. Prior to the Completion Date, the Issuer will not control the Target Group, and the Target Group will not be subject to the covenants described in this "Description of Notes". As such, the Issuer cannot assure you that prior to the Completion Date, the Target Group will not engage in activities that would otherwise have been prohibited by the Indenture had those covenants been applicable to such entities after the Issue Date and prior to the Completion Date.

The gross proceeds of the offering of the Notes sold on the Issue Date will be used by the Issuer, together with certain available cash at the Issuer, to (i) satisfy and discharge and ultimately redeem the Existing Floating Rate Notes at a price of 100% of the aggregate principal amount thereof, plus accrued and unpaid interest to, but excluding, the date of redemption, and additional amounts, if any, (ii) fund the purchase price for the Acquisition and (iii) pay costs and expenses incurred in connection with the Transactions, as further described in this Offering Memorandum under the caption "*Use of Proceeds*". Pending consummation of the Acquisition and the satisfaction of certain other conditions as described below, the Initial Purchasers will, concurrently with the issuance of the Notes on the Issue Date, deposit €150.0 million of gross proceeds from the offering of the Notes available under Tranche A (as defined under "*Use of Proceeds*") under the Notes into a segregated escrow account (the "**Escrow Account**") pursuant to the terms of an escrow deed (the "**Escrow Agreement**") dated on or prior to the Issue Date among the Issuer, the Trustee and JPMorgan Chase Bank, N.A., as Notes escrow agent (the "**Escrow Agent**"). The Escrow Account will be in the name of the Issuer, controlled by the Escrow Agent and pledged in favor of the Trustee on behalf of the holders of the Notes. The release of the escrowed proceeds from the Escrow Account (the "**Release**") will be subject to the satisfaction of certain conditions, including the expected completion of the Acquisition pursuant to the terms of the Acquisition Agreement within 2 Business Days following the Release. If the conditions to the Release have not been satisfied on or prior to November 20, 2021 (the "**Escrow Longstop Date**"), the Issuer will be required to redeem Notes with an aggregate issue price equal to €150.0 million at a redemption price equal to the issue price of such Notes plus accrued and unpaid interest from the Issue Date to but excluding such special mandatory redemption date and additional amounts, if any. The redeemed Notes shall be selected pro rata for redemption from all of the Notes. See "*—Escrow of Proceeds; Special Mandatory Redemption*".

The Issuer will issue Notes with an initial aggregate principal amount of €470.0 million. The Issuer may from time to time after this offering issue additional Notes under the Indenture ("**Additional Notes**") without notice to or the consent of holders of Notes. Any offering of Additional Notes would be subject to the covenant described below under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*". Except with respect to right of payment and optional redemption, and as otherwise provided for in the Indenture (including as described under "*—Meetings of Holders of Notes*" below), the Notes issued on the Issue Date and any Additional Notes subsequently issued under the Indenture will vote as a single class (except as otherwise described under "*—Amendments and Waivers*"). Any Additional Notes shall have terms substantially identical to the Notes issued on the Issue Date except in respect of any of the following terms which shall be set forth in an Officer's Certificate delivered by the Issuer to the Trustee:

(1) the title of such Additional Notes;

(2) the aggregate principal amount of such Additional Notes;

(3) the date or dates on which such Additional Notes will be issued;

(4) the rate or rates (which may be fixed or floating) at which such Additional Notes shall bear interest and, if applicable, the interest rate basis, formula or other method of determining such interest payment dates on which such interest shall be payable or the method by which such dates will be determined, the record dates for the determination of holders thereof to whom such interest is payable and the basis upon which such interest will be calculated;

(5) the currency or currencies in which such Additional Notes shall be denominated and the currency in which cash or government obligations in connection with such series of Additional Notes may be payable;

(6) the date or dates and price or prices at which, the period or periods within which, and the terms and conditions upon which, such Additional Notes may be redeemed, in whole or in part;

(7) if other than denominations of €100,000 and in integral multiples of €1,000 in excess thereof, the denominations in which such Additional Notes shall be issued and redeemed; and

(8) the ISIN, Common Code, CUSIP or other securities identification numbers with respect to such Additional Notes.

Any Additional Notes that differ with respect to maturity date, interest rate or optional redemption provisions from the Notes issued on the Issue Date will constitute a different series of notes from the Notes issued on the Issue Date. Additional Notes that have the same maturity date, interest rate and optional redemption provisions as the Notes issued on the Issue Date will be treated as the same series as the Notes issued on the Issue Date unless otherwise designated by the Issuer. The Issuer similarly will be entitled to vary the application of certain other provisions to any series of Additional Notes; *provided* that, if any series of Additional Notes are not fungible with the Notes for U.S. federal income tax and Italian tax purposes in the reasonable judgment of the Issuer, the Additional Notes will be issued with a separate CUSIP, ISIN or Common Code, as applicable, from the previously issued and outstanding Notes. Unless the context otherwise requires, for all purposes of the Indenture and this "Description of Notes", references to "Notes" shall be deemed to include the Notes issued on the Issue Date as well as any Additional Notes that are actually issued.

The Indenture and the Guarantees thereunder will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements (as defined below). 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 action, subordination of certain indebtedness, turnover obligations, release of security and guarantees, 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.

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. The Notes will be issued only in fully registered form, without coupons, in minimum denominations of €100,000 and any integral multiple of €1,000 in excess thereof.

The Issuer has made an application to list the Notes on the Official List of the Luxembourg Stock Exchange and for the Notes to be admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange (the "**Euro MTF Market**") on the Issue Date. However, there can be no guarantee that such application will be accepted or approved as of the Issue Date or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this listing. See also "*—Methods of Receiving Payments on the Notes*" and "*—Paying Agent and Registrar for the Notes*".

The Security Documents referred to below under the caption "*—Collateral*" define the terms of the security that will secure the Notes. The Indenture, the Notes and the Guarantees of the Notes (as defined below) are subject to the terms of the Intercreditor Agreement. See "*—Intercreditor Agreement and Additional Intercreditor Agreements*".

The Indenture will provide that any reference to a merger, transfer, consolidation, amalgamation, distribution, assignment, sale, disposition or transfer, or similar term, shall be deemed to apply to a division of or by a limited liability company, limited partnership or trust, or an allocation of assets to a series of a limited liability company, limited partnership or trust (or the unwinding of such a division or allocation), as if it were a merger, transfer, consolidation, amalgamation, distribution, assignment, sale or transfer, or similar term, as applicable, to, of or with a separate Person. Any division of a limited liability company, limited partnership or trust shall constitute a separate Person hereunder (and each division of any limited liability company, limited partnership or trust that is a Subsidiary, Restricted Subsidiary, Unrestricted Subsidiary, joint venture or any other like term shall also constitute such a Person or entity).

This "Description of Notes" is intended to be an overview of the material provisions of the Notes, the Guarantees, the Indenture and the Security Documents. Since this description of the terms of the Notes is only a summary, you should refer to the Notes Documents for complete descriptions of the obligations of the Issuer and your rights. Copies of the Indenture are available from us upon request.

Ranking

On the Issue Date, the Notes will be joint and several, senior secured obligations of the Issuer and will:

- rank *pari passu* in right of payment with all existing and future Indebtedness of the Issuer that is not subordinated in right of payment to the Notes (including Indebtedness under the Existing Notes and the Revolving Credit Facility Agreement);

- be effectively subordinated to any existing and future Indebtedness of the Issuer and its Subsidiaries that is secured by property or assets that do not secure the Notes or which secures such other Indebtedness on a super senior basis, to the extent of the value of the property and assets securing such Indebtedness;

- be structurally subordinated to all existing and future Indebtedness and other liabilities of all Non-Guarantor Subsidiaries;

- rank contractually senior in right of payment to future Subordinated Indebtedness of the Issuer, if any; and

- within the time periods specified herein, subject to the Agreed Security Principles, will be unconditionally guaranteed on a senior basis by the relevant Guarantors (as defined herein), subject to the limitations described herein and in "*Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral—The Notes Guarantees and the Collateral will be subject to certain limitation 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 Security Interests and Certain Insolvency Law Considerations*".

Under the terms of the Intercreditor Agreement, holders will receive proceeds from the enforcement of the Collateral only after certain obligations entitled to receive proceeds from the enforcement of the Collateral in priority to the Notes have been repaid in full, including (i) obligations under the Revolving Credit Facility Agreement, (ii) other Indebtedness incurred pursuant to the terms of the Indenture that is entitled to receive proceeds of an enforcement of the Collateral in priority to the Notes and (iii) certain Hedging Obligations.

As of December 30, 2020, on a *pro forma* basis after giving effect to the Transactions, we would have had total indebtedness of €921.6 million, of which €470.0 million is represented by the Notes, €400.0 million is represented by the Existing Fixed Rate Notes, and €51.6 million is represented by certain other financial liabilities, none of which was secured and €46.9 million of which was represented by lease obligations under IFRS 16. See "*Capitalization*".

The Issuer is a holding company with limited direct operations. Substantially all of the operations of the Issuer are conducted through its Subsidiaries. As a result, the Issuer is and is expected to continue to be dependent upon dividends and other payments from its Subsidiaries to generate the funds necessary to meet our outstanding indebtedness service and other obligations and such dividends and other payments may be restricted by law or the instruments governing our indebtedness, including any financing agreements of our Subsidiaries. Our Subsidiaries may not generate sufficient cash from operations to enable us to make principal and interest payments on our indebtedness, including the Notes. Unless a Subsidiary is a Guarantor, claims of creditors of such Subsidiaries (including trade creditors) and claims of preferred stockholders (if any) of such Subsidiaries generally will have priority with respect to the assets and earnings of such Subsidiaries over the claims of creditors of the Issuer, including holders of the Notes. The Notes, therefore, will be structurally subordinated to claims of creditors (including trade creditors) and preferred stockholders (if any) of Non-Guarantor Subsidiaries. Although the Indenture will contain limitations on the amount of additional Indebtedness that Non-Guarantor Subsidiaries may Incur, and Preferred Stock that Non-Guarantor Subsidiaries may issue, such limitations are subject to a number of significant exceptions.

Guarantees

On the Issue Date, the Notes will not be guaranteed. Within 20 Business Days following the Issue Date, subject to the Agreed Security Principles, the Notes will be guaranteed on a senior basis by Flos S.p.A., B&B Italia S.p.A., Louis Poulsen A/S and Antares Iluminación S.A.U. (collectively, the "**Initial Guarantors**"). Within 90 days following the Completion Date, subject to the Agreed Security Principles, the Notes will also be guaranteed on a senior basis by U.S. BidCo and YDesign (collectively, the "**U.S. Guarantors**" and, together with the Initial Guarantors and any subsidiary of the Issuer that may guarantee the Notes from time to time pursuant to the Indenture after the Issue Date, the "**Guarantors**", and the guarantees of the Notes provided by the Guarantors, the "**Guarantees**"; *provided* that upon the release or discharge of any such Person from its Guarantee in accordance with the Indenture, such Person automatically ceases to be a Guarantor).

Each Guarantee will be subject to certain material contractual and legal limitations, as described under "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*" and "*Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral—The Notes Guarantees and the Collateral will be* *subject to certain limitation on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*". The Guarantors are expected to guarantee on a senior basis the performance and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of Obligations of the Issuer under the Indenture and the Notes (including interest that, but for the filing of a petition in bankruptcy with respect to the Issuer, would have accrued on any Obligation, whether or not a claim is allowed against the Issuer for such interest in the related bankruptcy proceeding) to the holders and the Trustee, whether for payment of principal of, premium, if any, or interest on the Notes, expenses, indemnification or otherwise (all such obligations guaranteed by such Guarantors being herein called the "**Guaranteed Obligations**"). The Guarantors also guarantee or will guarantee, as applicable, on a senior basis the Existing Notes and the Revolving Credit Facility.

Each Guarantee of a Guarantor upon issuance will be a general, senior obligation of such Guarantor and will:

- rank *pari passu* in right of payment with all existing and future Indebtedness of such Guarantor that is not subordinated in right of payment to such Guarantee (including its guarantee of Indebtedness under the Existing Notes and the Revolving Credit Facility Agreement);
- rank contractually senior in right of payment to any future Subordinated Indebtedness of such Guarantor, if any;
- be effectively subordinated to all existing and future Indebtedness of such Guarantor that is secured by property or assets that do not secure the Guarantee, or which secures such other Indebtedness on a super senior basis, to the extent of the value of the property and assets securing such Indebtedness; and
- be structurally subordinated to all existing and future Indebtedness and other liabilities of any of such Guarantor's Non-Guarantor Subsidiaries.

Each Guarantee will be limited as necessary to reflect limitations under local law in the applicable jurisdiction and defenses generally available to guarantors in such jurisdiction (including those relating to fraudulent conveyance, fraudulent transfer, voidable preference, financial assistance, corporate purpose, corporate benefit, capital maintenance, "thin capitalization" rules and similar laws, regulations and defenses affecting the rights of creditors generally) or other considerations under applicable law. In particular, Guarantees granted by any Spanish Guarantor will not guarantee those obligations or liabilities which, if guaranteed, will constitute an infringement of Spanish financial assistance provisions in accordance with Article 143.2 (if a Spanish Guarantor is a limited liability company (*sociedad de responsabilidad limitada*)) and Article 150 (if a Spanish Guarantor is a public company (*sociedad anónima*)) of the Spanish Capital Companies Act. In addition, the Guarantees will be further limited as required by the Agreed Security Principles as described below. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Consolidations*". This includes limiting Guarantees to an amount not to exceed the maximum amount that can be guaranteed by the applicable Guarantor without rendering the Indenture or the Guarantees, as it relates to such Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. However, such limitations may not be effective under local law. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*" and "*Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral—The Notes Guarantees and the Collateral will be subject to certain limitation on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*".

Each Guarantee will be a continuing guarantee and, subject to the next succeeding paragraph, shall:

(1) remain in full force and effect until payment in full of all the Guaranteed Obligations;

(2) be binding upon each such Guarantor and its successors and assigns; and

(3) inure to the benefit of and be enforceable by the Trustee, the holders and their successors, transferees and assigns.

A Guarantee of a Guarantor will be automatically and unconditionally released and discharged:

(1) upon the sale, exchange, disposition or other transfer (including through merger, consolidation or dissolution) of (x) the Capital Stock of such Guarantor, if after such transaction the Guarantor is no longer a Restricted Subsidiary, or (y) all or substantially all the assets of such Guarantor if such sale, exchange, disposition or other transfer (including through merger, consolidation or dissolution) is made in compliance with the Indenture so long as such Guarantor is also released from its guarantee of the Revolving Credit Facility Agreement and Certain Capital Markets Debt (if applicable);

(2) upon the Issuer designating such Guarantor to be an Unrestricted Subsidiary in accordance with the provisions set forth under "*—Certain Covenants—Limitation on Restricted Payments*" and the definition of "Unrestricted Subsidiary;"

(3) in accordance with an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement;

(4) as described under "*—Amendments and Waivers*";

(5) as a result of a transaction that would not be prohibited under "*—Certain Covenants—Merger, Consolidation, Amalgamation or Sale of all or Substantially all Assets*";

(6) in the case of any Restricted Subsidiary that after the Issue Date is required to guarantee the Notes pursuant to the covenant described under "*—Certain Covenants—Future Guarantors*", (i) the release or discharge of the guarantee by such Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary of the Issuer or (ii) the repayment of the Indebtedness that resulted in the obligation to guarantee the Notes (and the release, discharge or repayment of any other Indebtedness and Disqualified Stock that would require such Restricted Subsidiary to guarantee the Notes pursuant to the covenant described under "*—Certain Covenants—Future Guarantors*"), except if a release, discharge or repayment is by or as a result of payment in connection with the enforcement of remedies under such other guarantee of Indebtedness;

(7) upon the Issuer's exercise of its legal defeasance option or covenant defeasance option as described under "*—Defeasance*", or if the Indenture is discharged (including through redemption or repurchase of all the Notes as a result of satisfaction and discharge or otherwise) as described in "*—Satisfaction and Discharge*"; or

(8) in connection with a Permitted Reorganization.

A Guarantee also will be automatically released upon the applicable Subsidiary ceasing to be a Subsidiary as a result of any foreclosure of any pledge or security interest securing the Revolving Credit Facility Agreement or other exercise of remedies in respect thereof.

Upon the request and at the expense of the Issuer, the Security Agent and, to the extent reasonably requested, the Trustee, shall take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Trustee without the consent of the holders or any other action or consent on the part of the Trustee.

Not all of the Issuer's Subsidiaries will guarantee the Notes and the Issuer will not have any obligation to cause any of its Subsidiaries to guarantee the Notes in the future, except as described in the first paragraph of this section "*—Guarantees*" above and as required under the circumstances described below under the caption "*—Certain Covenants—Future Guarantors*". See "*Summary—Corporate Structure and Certain Financing Arrangements*".

Terms of the Notes

The Issuer will issue €470.0 million in aggregate principal amount of Notes on the Issue Date. The Notes will mature on May 15, 2026 and will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest on the Notes will accrue at a rate per annum (the "**Applicable Rate**"), reset quarterly, equal to the sum of (i) three-month EURIBOR (and if that rate is less than zero, EURIBOR shall be deemed to be zero) *plus* (ii) 4.25%, as determined by the calculation agent (the "**Calculation Agent**"), who shall initially be The Bank of New York Mellon, London Branch. Interest on the Notes will:

- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash quarterly in arrears on February 15, May 15, August 15 and November 15, commencing on August 15, 2021;
- be payable to the holder of record of such Notes on the February 1, May 1, August 1 and November 1 immediately preceding the related interest payment date; and
- be computed on the basis of a 365-day year and the actual number of days elapsed.

If a payment date is not a Business Day, payment shall be made on the next succeeding day that is a Business Day, and no interest shall accrue for the intervening period.

The Calculation Agent shall, as soon as practicable after 11:00 a.m. (Brussels time) on each Interest Calculation Date, determine the Applicable Rate and calculate the aggregate amount of interest payable in respect of the following Interest Period (the "**Interest Amount**"). The Interest Amount shall be calculated by applying the Applicable Rate to the principal amount of each Note outstanding at the commencement of the Interest Period, multiplying each such amount by the actual amounts of days in the Interest Period concerned divided by 365. 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 .04876545) being rounded to 4.87655% (or .0487655). The determination of the Applicable Rate and the Interest Amount by the Calculation Agent shall, in the absence of willful default, bad faith or manifest error, be final and binding on all parties. In no event will the rate of interest on the Notes be higher than the maximum rate permitted by applicable law, *provided*, however, that the Calculation Agent shall not be responsible for verifying that the rate of interest on the Notes is permitted under any applicable law.

Set forth below is a summary of certain of the provisions from 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.

"**EURIBOR**" means, with respect to an Interest Period, the rate (expressed as a percentage per annum) for deposits in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Interest Calculation Date that appears on Reuters page EURIBOR01 as of 11:00 a.m. (Brussels time) on the Interest Calculation Date; *provided*, *however*, that EURIBOR shall never be less than 0%. If Reuters Page EURIBOR01 does not include such a rate or is unavailable on an Interest Calculation Date, the Issuer will request the principal London office of each of four major banks in the euro zone inter-bank market to provide such bank's offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m. (Brussels time) on such Interest Calculation Date, to prime banks in the euro zone inter-bank market for deposits in a Representative Amount in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Interest Calculation Date. If at least two such offered quotations are so provided, EURIBOR for such 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 to provide such bank's rate (expressed as a percentage per annum), as of approximately 11:00 a.m. (London time) on such Interest Calculation Date, for loans in a Representative Amount in euro to leading European banks for a three-month period beginning on the day that is two TARGET Settlement Days after the Interest Calculation Date. If at least two such rates are so provided, EURIBOR for such Interest Period will be the arithmetic mean of such rates. If fewer than two such rates are so provided, then EURIBOR in respect of such Interest Period will be the EURIBOR in effect with respect to the immediately preceding Interest Period.

In the event that EURIBOR is no longer being calculated or administered or is otherwise no longer generally accepted in the euro-zone for the purposes of determining floating rates of interest in respect of euro-denominated securities hereunder, the alternative basis for determining the rate of interest on the Notes will be any successor rate generally accepted in the euro-zone for the purposes of determining floating rates of interest in respect of euro-denominated securities, as identified by the Issuer in good faith; *provided* that, in the event that there is no generally accepted successor rate to EURIBOR in the good faith judgment of the Issuer, the Issuer shall determine a reasonably appropriate alternative basis for determining the rate of interest on the Notes; *provided further* that any such alternative basis adopted pursuant to this paragraph shall in all cases never be less than 0%. Following the adoption of an alternative basis pursuant to this paragraph, all references to "EURIBOR" in the Indenture shall be deemed to refer to such alternative basis.

"**euro-zone**" means the region comprised of member states of the European Union that at such time use the euro as their official currency.

"**Interest Calculation Date**" means the day that is two TARGET Settlement Days preceding the first day of such Interest Period (as defined below) in respect of the relevant Interest Period.

"**Interest Period**" means the period commencing on and including an interest payment date and ending on and including the day immediately preceding 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 (i) €1,000,000 and (ii) an amount that is representative for a single transaction in the relevant market at the relevant time.

"**Reuters Page EURIBOR01**" means the display page so designated on 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 to receive the payments of interest on such Notes are subject to applicable procedures of Euroclear, Clearstream or DTC, as applicable. 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 and premium, if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents (as defined below); *provided* that all such payments with respect to the Notes represented by one or more Global Notes registered in the name of or held by a nominee of a common depositary for Euroclear or Clearstream or, in the case of DTC, registered in the name of Cede & Co., the nominee of DTC, and held with a custodian for DTC, as applicable, will be made by wire transfer of immediately available funds to the account specified by the holder or holders thereof.

Principal, interest and 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. In addition, interest on the Definitive Registered Notes may be paid by bank transfer to the person entitled thereto as shown on the register for the Definitive Registered Notes. See "*—Paying Agent and Registrar for the Notes*".

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more paying agents for the Notes (each, a "**Paying Agent**"). The initial Paying Agent will be The Bank of New York Mellon, London Branch. 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 and Transfer Agent 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. The Issuer may change any Paying Agents, Registrars or Transfer Agents for the Notes without prior notice to the holders of such Notes. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

For so long as Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish notice of any change of Paying Agent, Registrar or Transfer Agent on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange. Such notice of the change in a Paying Agent, Registrar or Transfer Agent may also be published in a daily newspaper with general circulation in Luxembourg or by other methods considered as equivalent by the Luxembourg Stock Exchange.

Transfer and Exchange

The Notes will be issued in the form of several 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 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 of the common depositary for the accounts of Euroclear and Clearstream.
- Notes sold outside the United States pursuant to Regulation S under the Securities Act 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 Note will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes ("**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear and 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 the section "*Transfer Restrictions*" in the Offering Memorandum. In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Notes (the "**144A Book-Entry Interests**") may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes (the "**Regulation S Book-Entry Interests**") denominated in the same currency 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.

Prior to 40 days after the Issue Date of the Notes, ownership of Regulation S Book-Entry Interests will be limited to persons that have accounts with Euroclear or Clearstream or persons who hold interests through Euroclear or Clearstream, and any sale or transfer of such interest to US persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A under the Securities Act. Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests 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 the section Transfer Restrictions in the Offering Memorandum 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 principal amount, 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 which 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 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 under the section "*Transfer Restrictions*" in the Offering Memorandum.

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 in principal amount 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 in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Definitive Registered Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Sale Offer.

The Issuer, the Trustee, the Paying Agents, the Transfer Agent and the Registrar will be entitled to treat the holder of a Note as the owner of it for all purposes.

Restricted Subsidiaries and Unrestricted Subsidiaries

As of the Issue Date, all of the Issuer's Subsidiaries will be "Restricted Subsidiaries" for purposes of the Indenture and, upon the Acquisition, the Target and its subsidiaries will be "Restricted Subsidiaries" for purposes of the Indenture. However, under the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary*", the Issuer will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries". Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

Escrow of Proceeds; Special Mandatory Redemption

If the offering of the Notes closes prior to the Completion Date, concurrently with, or prior to, 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 €150.0 million of gross proceeds from the offering of the Notes into the Escrow Account. The Escrow Account will be pledged on a first-ranking basis in favor of the Trustee for the benefit of the holders of the Notes pursuant to an escrow charge dated the Issue Date between the Issuer and the Trustee (the "**Escrow Charge**"). The initial funds deposited in the Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Account (less any property and/or funds paid in accordance with the Escrow Agreement) are referred to, collectively, as the "**Escrowed Property**".

The Escrow Agent shall promptly effectuate the Release, subject only to receipt by the Escrow Agent of an Officer's Certificate delivered by the Issuer to the Escrow Agent with a copy to the Trustee, on or before the Escrow Longstop Date, to the effect that:

- the Acquisition will be consummated within two Business Days following the Release, on substantially the same terms as described in the Offering Memorandum under the section "*Summary—The Transactions*", except for any waivers, changes or other modifications that will not, individually or when taken as whole, have a materially adverse effect on the holders of the Notes or to which the holders have consented; and

- as of the date of delivery of the Officer's Certificate, there is no Default or Event of Default under clause (5) of the first paragraph under the heading titled Events of Default below with respect to the Issuer.

Upon the Release, the Escrow Account shall be reduced to zero, and the Escrowed Property shall be paid out in accordance with the Escrow Agreement.

In the event that (a) the satisfaction of the conditions set forth above does not take place on or prior to the Escrow Longstop Date, (b) at any time prior to the Escrow Longstop Date, in the good faith judgment of the Issuer, the Acquisition will not be consummated on or prior to the Escrow Longstop Date, (c) the Acquisition Agreement terminates at any time on or prior to the Escrow Longstop Date, (d) the Initial Investors cease to beneficially own or control a majority of the issued and outstanding Capital Stock of the Issuer or (e) a Default or Event of Default arises under clause (5) of the first paragraph under the heading titled Events of Default on or prior to the Escrow Longstop Date with respect to the Issuer (the date of any such event being the "**Special Termination Date**"), the Issuer will redeem Notes with an aggregate issue price equal to €150.0 million (the "**Special Mandatory Redemption**") at a price (the "**Special Mandatory Redemption Price**") equal to 100% of the aggregate issue price of such Notes, plus accrued but unpaid interest and Additional Amounts, if any, from the Issue Date to, but excluding, the Special Mandatory 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). The redeemed Notes shall be selected *pro rata* for redemption from all of the Notes.

Notice of the Special Mandatory Redemption will be delivered by the Issuer, no later than one Business Day following the Special Termination Date, to the Trustee, the Paying Agent and the Escrow Agent, and will provide that the Notes to be redeemed 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 Mandatory Redemption Date**"). On the Special Mandatory Redemption Date, the Escrow Agent shall pay to the Paying Agent for payment to each holder the Special Mandatory 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.

In the event that the applicable Special Mandatory Redemption Price payable upon such Special Mandatory Redemption exceeds the amount of the Escrowed Property, the Issuer will be required to contribute to the Escrow Account an amount equal to the amount by which the applicable Special Mandatory Redemption Price payable upon such Special Mandatory Redemption exceeds the amount of the Escrowed Property. See "*Risk Factors—Risks Related to the Transactions—If certain conditions are not satisfied on or prior to the Escrow Longstop Date, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes*".

To secure the payment of the Special Mandatory Redemption Price, the Issuer will grant to the Trustee for the benefit of the holders of the Notes a security interest in the Escrow Account. Receipt by the Trustee of either an Officer's Certificate for the release or a notice of Special Mandatory Redemption shall constitute deemed consent by the Trustee for the release of the Escrowed Property from the Escrow Charge.

If at the time of such Special Mandatory Redemption, the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will notify the Luxembourg Stock Exchange that the Special Mandatory Redemption has occurred and any relevant details relating to such Special Mandatory Redemption.

Amounts may be released from the Escrow Account prior to the Completion Date to pay negative interest charged on the Escrow Account and to pay interest on the Notes on any interest payment date in respect thereof occurring prior to the Release.

Security

General

On the Issue Date and prior to the Completion Date, the Notes will be secured by a first-ranking security interest in the Escrow Account. See "*—Escrow of Proceeds; Special Mandatory Redemption*".

Within five Business Days following the Issue Date, the Notes will be secured by first-ranking security interests in:

1) 100% of the share capital of the Issuer;

2) certain material bank accounts of the Issuer; and

3) the Issuer's receivables in respect of the B&B I/C Loan, the Flos I/C Loan and the Danish HoldCo I/C Loan (collectively, the "**Initial Collateral**").

Within 20 Business Days following the Issue Date, the Notes will be secured by first-ranking security interests in 100% of the share capital of each of Flos S.p.A., Antares Iluminación S.A.U., B&B Italia S.p.A., Danish HoldCo and Louis Poulsen A/S (collectively, the "**Post Issue Date Collateral**").

Within 90 days following the Completion Date, the Notes will also be secured by first-ranking security interests in:

1) the equity interests of YDesign held by U.S. BidCo and the equity interests of U.S. Bidco held by the Issuer; and

2) the Issuer's receivables in respect of the U.S. BidCo Proceeds Loan (collectively, the "**Post Completion Date Collateral**" and, together with the Initial Collateral and the Post Issue Date Collateral and any other collateral securing the Notes from time to time pursuant to the Indenture, the "**Collateral**").

The security interests in the Collateral may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability and may be released under certain circumstances. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*" and "*Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral*".

The Collateral also secures or will secure, as applicable, on a first-ranking basis the Existing Notes and the Revolving Credit Facility and certain hedging obligations (if any). Subject to certain conditions, including compliance with the covenants described under "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Covenants—Liens*", the Issuer and its Restricted Subsidiaries are permitted to grant security over the Collateral in connection with future issuances of Indebtedness, including any Additional Notes issued by the Issuer as permitted under the Indenture and the Intercreditor Agreement. See "*Risk Factors—Risks related to the Notes, the Notes Guarantees and the Collateral—The Notes will be secured only to the extent of the value of the Collateral that has been granted as security for the other secured indebtedness may be secured by assets that do not secure the Notes*". Any other security interests that may in the future be granted to secure obligations under the Notes, any Guarantee and the Indenture would also constitute Collateral. All Collateral will be subject to the operation of the Agreed Security Principles and any Permitted Collateral Liens.

Notwithstanding the foregoing and the provisions of the covenant described below under "*—Certain Covenants—Future Guarantees*", certain property, rights and assets (other than the Collateral described in the first and second paragraphs of this section) may not be pledged, and any pledge over property, rights and assets may be limited (or the Liens not perfected), in accordance with the Agreed Security Principles. Pursuant to the Agreed Security Principles, a guarantee or security may not be given, or may be limited. The following is a summary of certain terms of the Agreed Security Principles:

- general legal and statutory limitations, financial assistance (including under Article 2358 and/or 2374 of the Italian Civil Code, under the Danish Companies Act and Articles 143.2 and 150 of the Spanish Capital Companies Act), 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, liquidity impairment rules, retention of title claims, employee consultation or approval requirements and similar principles may limit the ability of the Issuer and its Restricted Subsidiaries (collectively, the "**Group**") to provide a guarantee or security (as applicable) or may require that the guarantee or security be limited in amount or otherwise. In particular, Guarantees granted by any Spanish Guarantor will not guarantee those obligations or liabilities which, if guaranteed, will constitute an infringement of Spanish financial assistance provisions in accordance with, when applicable, Article 143.2 (if the Spanish Guarantor is a limited liability company (*sociedad de responsabilidad limitada*)) and Article 150 (if the Spanish Guarantor is a public company (*sociedad anónima*)) of the Spanish Capital Companies Act.
- the time and cost (including material adverse tax consequences or adverse effects on interest deductibility and stamp duty, registration taxes, notarisation and registration fees) of providing a guarantee or security (and the terms or perfection of such security) must not be disproportionate to the benefit;
- in certain jurisdictions it may be impossible, impractical or disproportionately costly or would unduly disrupt the business of the Group to grant a guarantee or create security over certain assets, and a guarantee will not be granted and/or security will not be taken over such assets;
- any assets subject to legal requirements, contracts, leases, licenses or any other third party arrangements (including, without limitation, any trade receivables) which may prevent those

assets from being charged will be (subject to considerations) excluded from any relevant security; *provided* that, if the relevant asset is material, if requested by the Security Agent prior to the entry into the relevant transaction security and the Issuer or the relevant Guarantor determines (acting in good faith) that such endeavours will not jeopardise commercial relationships with third parties, the relevant member of the Group will use commercially reasonable endeavours to obtain any necessary consent or waiver;

- no security will be granted over any asset secured for the benefit of any indebtedness permitted to be incurred and/or to the extent constituting a permitted lien unless specifically required by the Indenture or the Revolving Credit Facility Agreement or other finance documents to the contrary;
- certain supervisory board, works council, regulator or regulatory board (or another external body's consent may be required to enable the provision of a guarantee or security;
- other than in respect of the security and guarantees expressly referred to in (i) the third paragraph under this "*—Security—General*" and (ii) the first paragraph under "*—Guarantees*", no member of the Group will be required to grant security or guarantees if they are not (other than the Issuer) wholly-owned by another member of the Group or to the extent that to do so is not within their legal capacity or where to do so would conflict with the fiduciary duties of directors or contravene any legal prohibition, contractual restriction or regulatory condition or would result in (or in a risk of) personal or criminal liability on the part of any director or officer, *provided* that the relevant entity shall use commercially reasonable endeavours to overcome any such obstacle;
- the Group will not be liable for any fees, costs, taxes, expenses or other amounts payable in connection with any re-taking, re-registration, re-notarization or other requirement for perfection, presentation, novation or protection of security or guarantees on transfers or assignments by the holders of the Notes or lenders under the Revolving Credit Facility Agreement;
- access to assets of a security provider and the maximum guaranteed or secured amount may be restricted or limited to minimise fees and duties where the benefit of increasing the guarantee or secured amount is disproportionate to the level of such fees and duties;
- any transaction security document shall only be required to be notarized or notarially certified if required by law in order for the relevant security to become effective or admissible in evidence or for the document to bear a certified date as a matter of Italian law and where possible, the transaction security documents governed by Italian law will be executed by way of exchange of correspondence (*scambio di corrispondenza commerciale*), or outside Italy, in order to minimise any documentary tax cost connected with their execution;
- other than in respect of the security and guarantees expressly referred to in (i) the third paragraph under this "*—Security—General*" and (ii) the first paragraph under "*—Guarantees*", no guarantees or security will be required in jurisdictions other than Italy, Denmark, Spain and any jurisdiction in which any borrower of any credit facilities or any member of the Group which has earnings before interest, tax, depreciation and amortization representing 5% or more of the Consolidated EBITDA of the Group (a "**Material Company**") is incorporated;
- security shall be limited to security over the shares of the Issuer or the relevant Guarantor or Material Company, as applicable, security over material long term structural intercompany receivables to be agreed and certain material bank accounts to be agreed;
- all security (other than share security) will be governed by the law of, and secure only assets located in, the jurisdiction of incorporation of the applicable grantor and no action in relation to security (including any perfection step, further assurance step, filing or registration) will be required in jurisdictions where the grantor of the security is not incorporated; and
- notification of security will only be given to third parties, and security will only be enforceable, after the occurrence of an acceleration event.

The Agreed Security Principles also set out certain additional factors which will apply when determining the extent of the guarantees and the security to be provided and certain additional principles which will be reflected in any security taken.

As described above, all of the Collateral also secures or will also secure, as applicable, on a first priority basis the Existing Notes and the liabilities under the Revolving Credit Facility Agreement, as well as certain future Hedging Obligations and any Additional Notes and may also secure certain future indebtedness; *provided*, *however*, that pursuant to the Intercreditor Agreement the lenders under the Revolving Credit Facility and counterparties to certain future Hedging Obligations will receive the proceeds from the enforcement of the Collateral in priority to the holders of the Notes and any Additional Notes. See "*—Priority*". See also, "*Risk Factors—Risks related to the Notes, the Notes Guarantees and the Collateral—Creditors under the Revolving Credit Facility and counterparties to certain hedging obligations and future indebtedness permitted to be incurred under the terms of the Indenture and the Intercreditor Agreement ranking pari passu with the Revolving Credit Facility are entitled to be repaid with proceeds from the enforcement of the Collateral in priority to the Notes".*

The lenders under the Revolving Credit Facility Agreement and/or counterparties to certain future Hedging Obligations and any Additional Notes may also benefit from security which does not secure the Notes offered hereby.

The Liens on the Collateral 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, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law. For a brief description of such limitations, see "*—Certain Limitations on the Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

No appraisals of the Collateral have been made in connection with this Offering of the Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral 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 Notes Guarantees and the Collateral—Creditors under the Revolving Credit Facility and counterparties to certain hedging obligations and future indebtedness permitted to be incurred under the terms of the Indenture and the Intercreditor Agreement ranking pari passu with the Revolving Credit Facility are entitled to be repaid with proceeds from the enforcement of the Collateral in priority to the Notes*".

Priority

The relative contractual priority with regard to the security interests in the Collateral that are created by the Security Documents (the "**Security Interests**" and each a "**Security Interest**") as between (a) the lenders under the Revolving Credit Facility Agreement, (b) the counterparties under certain future Hedging Obligations (if any), (c) the Trustee, the Security Agent and the holders of the Notes under the Indenture as well as the trustee and the security agent under the Existing Notes and the holders thereof and (d) the creditors of certain other Indebtedness permitted to be secured by the Collateral, respectively, is established by the terms of the Intercreditor Agreement and the Indenture. The Intercreditor Agreement will provide, among other things, that the obligations under the Notes will receive proceeds on enforcement of security over the Collateral only after the claims of the Revolving Credit Facility Agreement and such future Hedging Obligations and any future Indebtedness permitted to be secured on a super-priority basis in accordance with the terms of the Indenture and the Intercreditor Agreement are satisfied. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*". In addition, pursuant to the Intercreditor Agreements or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged or assigned to secure other Indebtedness. See "*—Release of Liens*", "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Definitions—Permitted Collateral Liens*".

Security Documents

Under the Security Documents, security will be granted over the Collateral to secure, *inter alia*, the payment when due of the Issuer's payment obligations under the Notes and the Indenture. The Security Documents will be entered into among, *inter alios*, the relevant security provider, the Security Agent, also as Security Representative, legal representative (*mandatario con rappresentanza*) and (other than for Security Documents governed by Italian law Danish law and Spanish law) also as beneficiary of the parallel debt under the Intercreditor Agreement, and, with respect to the Italian Security Documents governed by Italian law, the Trustee acting for itself and in its capacity as the Trustee under the Indenture and additionally as common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code, and with respect to Security Documents governed by Danish law, the Security Agent acting for itself and in its capacity as representative (*repræsentant*) pursuant to Chapter 4 of the Danish Capital Markets Act, and with respect to Security Documents governed by Spanish law, the Trustee acting for itself and in its capacity as the Trustee under the Indenture.

The Indenture will provide that, subject to the terms thereof and of the Intercreditor Agreement, the Notes and the Indenture will be secured by Security Interests in the Collateral until all obligations under the Notes and the Indenture have been discharged. The validity and enforceability of the Security Interests will be subject to, *inter alia*, the limitations described in "*Risk Factors—Risks related to the Notes, the Notes Guarantees and the Collateral—The Notes Guarantees and the Collateral will be subject to certain limitation 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 Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the 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 was successful, the holders may not be able to recover any amounts under the Security Documents. See "*Risk Factors—Risks related to the Notes, the Notes Guarantees and the Collateral*".

Enforcement of Security Interest

The Security Documents will provide that the rights under the 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 Security Documents, holders will not, individually or collectively, take any direct action to enforce any rights in their favor under the 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 of the Notes will, in certain circumstances, be entitled to direct the Trustee to provide instructions to the Security Agent for the enforcement of security over the Collateral. The Indenture and the Intercreditor Agreement will restrict the ability of the holders of the Notes or the Trustee to enforce the Security Interests and provide for the release of the Security Interests created by the Security Documents in certain circumstances upon enforcement by the lenders under the Revolving Credit Facility Agreement. These limitations are described under "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Certain Limitations on Validity and Enforceability of the Collateral and Certain Insolvency Law Considerations—Certain Insolvency Law Considerations*". The ability to enforce may also be restricted by similar arrangements in relation to future indebtedness that is secured by the Collateral in compliance with the Indenture and the Intercreditor Agreement.

The creditors under the Revolving Credit Facility Agreement, the holders of Notes, the counterparties to certain Hedging Obligations (if any) secured by the Collateral and the Trustee have, and by accepting a Note, each holder will be deemed to have, appointed the Security Agent to act as its agent under the Intercreditor Agreement and the security documents securing such Indebtedness, including the 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* of the Italian Civil Code to act on its behalf. The creditors under the Revolving Credit Facility Agreement, the holders of Notes, the counterparties to certain Hedging Obligations (if any) secured by the Collateral 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 security documents securing such Indebtedness, including the Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, confirmation, extension, renewal, replacement or discharge expressed to be executed by the Security Agent in its name and 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 of the Notes) 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) authorized the Trustee to accede to the Intercreditor Agreement on the Issue Date without any further instruction or approval from the holders of the Notes;

(2) appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement and any Additional Intercreditor Agreements;

(3) authorized the Security Agent and the Trustee, as applicable, to act in its name and on its behalf to enter into the 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;

(4) agreed to be bound by the provisions of the Intercreditor Agreement and the Security Documents;

(5) agreed to, and accepted, the appointment of The Law Debenture Trust Corporation plc as common representative (*rappresentante comune*) of the holders pursuant to Articles 2417 and 2418 of the Italian Civil Code;

(6) agreed to, and accepted, the appointment of UniCredit S.p.A. as representative (*rappresentante*) of the holders for the purposes of Article 2414-*bis*, third paragraph of the Italian Civil Code;

(7) agreed and acknowledged that the Security Agent will administer the Collateral in accordance with the Intercreditor Agreement, the Indenture and the Security Documents; and

(8) irrevocably appointed the Security Agent and the Trustee to act in its name and on its behalf to enter into and comply with the provisions of the Intercreditor Agreement.

Please see the sections entitled "*Risk Factors—Risks related to the Notes, the Notes Guarantees and the Collateral—Holders of the Notes may not control certain decisions regarding the Collateral*" 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 in compliance with the covenant described under "*—Certain Covenants—Additional Intercreditor Agreements*".

Release of Liens

The Issuer and its Subsidiaries and any provider of Collateral will be entitled to the release of the Security Interest in respect of the Collateral under any one or more of the following circumstances:

(1) in connection with any sale or other disposition of Collateral to (a) any Person other than the Issuer or a Restricted Subsidiary (but excluding any transaction subject to "*—Certain Covenants—Merger, Consolidation, Amalgamation or Sale of all or Substantially all Assets*"), if such sale or other disposition does not violate the covenant described under "*—Certain Covenants—Asset Sales*" or is otherwise permitted in accordance with 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 of accounts receivable (including intercompany loan receivables and hedging receivables) to a Restricted Subsidiary (except, in the case of accounts receivable, to a Receivables Subsidiary), unless the relevant property and assets remain subject to, or otherwise become subject to a Lien in favor of the Notes following such sale or disposal);

(2) in the case of a Guarantor that is released from its 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 on the Notes or defeasance or 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) in connection with a Permitted Reorganization;

(7) in the case of a merger, consolidation or other transfer of assets in compliance with the covenant described below under "*—Certain Covenants—Merger, Consolidation, Amalgamation or Sale of all or Substantially all Assets*";

(8) in the case of any security interests over intra-group receivables (if any), upon partial repayment or discharge thereof, the security interests created over such receivables will be automatically reduced in proportion to such partial repayment or discharge and, upon full repayment or discharge thereof, the security interests shall be automatically and fully released and of no further effect;

(9) upon the contribution of any claim against the Issuer or any Restricted Subsidiary, which is subject to a Lien, to the equity of the Issuer or any of the Restricted Subsidiaries; *provided* that, such contribution is made in compliance with the Intercreditor Agreement;

(10) with respect to the Liens securing the Escrowed Property, in accordance with the terms of the Escrow Agreement and the Escrow Charge;

(11) in accordance with the Intercreditor Agreement and any Additional Intercreditor Agreement; or

(12) as otherwise not prohibited by the Indenture.

In addition, the Security Interests created by the Security Documents will be released as would not be prohibited under the covenant described under "*—Certain Covenants—Impairment of Security Interest*".

At the request and expense of the Issuer, the Security Agent and, to the extent reasonably requested, the Trustee (if required) will take all necessary action required to effectuate any release of Collateral securing the Notes and the Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the holders or any action on the part of the Trustee (unless action is required by it to effect such release).

Optional Redemption

Except as described under "*—Escrow of Proceeds; Special Mandatory Redemption*", "*—Redemption for Taxation Reasons*", the Notes are not redeemable until May 15, 2022. On and after May 15, 2022 the Issuer may redeem all or, from time to time, part of the Notes at a redemption price equal to 100% of the principal amount thereof *plus* accrued and unpaid interest and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the redemption date).

Prior to May 15, 2022, the Issuer may redeem the Notes at its option, in whole at any time or in part from time to time, upon notice as described under "*—Selection and Notice*," at a redemption price equal to 100% of the principal amount thereof *plus* the Applicable Premium as of the date of the redemption notice, and accrued and unpaid interest, if any, to (but not including) the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the redemption date).

General

The Issuer or 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. The Notes may be optionally redeemed in full or in part pursuant to the optional redemption provisions of the Indenture described above.

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.

All redemptions of the Notes will be made upon not less than 10 days' nor more than 60 days' prior notice, except that a redemption notice may be made 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. Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Any redemption of the Notes may, at the Issuer's discretion, be subject to one or more conditions precedent. The redemption date of any redemption that is subject to satisfaction of one or more conditions precedent may, in the Issuer's discretion, be delayed until such time as any or all such conditions shall be satisfied (or waived by the Issuer in its sole discretion), or such redemption may not occur and any notice with respect to such redemption may be modified or rescinded in the event that any or all such conditions shall not have been satisfied (or waived by the Issuer in its sole discretion) by the redemption date, or by the redemption date so delayed; *provided* that, any such redemption date may not exceed 60 days from the date of the redemption notice. In addition, such notice of redemption may be extended if such conditions precedent have not been satisfied or waived by the Issuer by providing notice to the noteholders. In addition, the Issuer may provide in such notice that payment of the redemption price and performance of the Issuer's obligations with respect to such redemption may be performed by another Person.

Sinking Fund

Except as set forth above under the caption "*—Escrow of Proceeds; Special Mandatory Redemption*", the Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Post-Tender Optional Redemption

Notwithstanding the foregoing, in connection with any tender offer or other offer to purchase for the Notes, if holders of not less than 90% in aggregate principal amount outstanding of the Notes validly tender and do not validly 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 Notes validly tendered and not validly withdrawn by such holders, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such tender offer expiration date, to redeem the Notes that remain outstanding in whole, but not in part, following such purchase, at a price equal to the price offered (excluding any early tender premium or similar payment) to each other holder of Notes in such tender offer or other offer to purchase (*provided that* such price shall not be less than 100% of the principal amount), *plus*, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding such redemption date.

Redemption for Taxation Reasons

The Issuer may redeem the Notes, at its option, in whole, but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to (but not including) the date fixed for redemption (a "**Tax Redemption Date**") (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the redemption date) and all Additional Amounts (as defined under "*—Additional Amounts* "), if any, then due or that will become due on the Tax Redemption Date as a result of the redemption or otherwise 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, protocols or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined under "*—Additional Amounts*") affecting taxation; or

(2) any amendment to, an introduction of or change in an official position regarding the application, administration or interpretation of such laws, treaties, regulations, protocols or rulings (including a holding, judgment or order by a government agency or court of competent jurisdiction) (each of the foregoing in clauses (1) and (2), a "**Change in Tax Law**"),

any Payor (as defined under "*—Additional Amounts*"), with respect to the Notes or a Guarantee is, or on the next date on which any amount would be payable in respect of the Notes would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to such Payor (including the appointment of a new Paying Agent or, where such action would be reasonable, payment through another Payor); *provided* that no Payor shall be required to take any measures that in the Issuer's good-faith determination would result in the imposition on such person of any material legal or regulatory burden or the incurrence by such person of additional material costs, or would otherwise result in any material adverse consequences to such person.

In the case of any Payor, the Change in Tax Law with respect to a given Relevant Taxing Jurisdiction must become effective on or after the later of (i) the Issue Date or (ii) the date a jurisdiction becomes a Relevant Taxing Jurisdiction. Notwithstanding the foregoing, no such notice of redemption will be given earlier than 90 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts. Prior to the publication, mailing or delivery of any notice of redemption of the Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (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 so to redeem have been satisfied (including that the obligation to pay such Additional Amounts cannot be avoided by the Payor taking reasonable measures available to it) and (b) an opinion of an independent tax counsel of recognized standing to the effect that the Payor would be obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept, without further inquiry, such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, 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 a Payor is organized or otherwise considered to be a resident for tax purposes or any political subdivision or taxing authority or agency thereof or therein. The foregoing provisions will survive any termination, defeasance or discharge of the Indenture.

Additional Amounts

All payments made by or on behalf of the Issuer or any Guarantor or any successor in interest to any of the foregoing (each, a "**Payor**") on or with respect to the Notes or any Guarantee, as applicable, will be made without withholding or deduction for, or on account of, any present or future tax, duty, levy, impost, assessment or other similar governmental charge (collectively, "**Taxes**") unless such withholding or deduction is required by law. 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 the Notes or any Guarantee is made by or on behalf of such Payor or the Paying Agent, or any political subdivision or governmental authority thereof or therein having the power to tax; or

(2) any other jurisdiction in which a Payor that actually makes a payment on the Notes or its Guarantee is incorporated or organized, engaged in a business for tax purposes or 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 clauses (1) and (2), a "**Relevant Taxing Jurisdiction**"), will at any time be required from any payments made with respect to the Notes or any 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 in respect of such payments by the noteholders after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts that would have been received in respect of such payments on the Notes or the Guarantees 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 that would not have been so imposed or levied but for the existence of any present or former connection between the relevant noteholder or the beneficial owner of a Note (or between a fiduciary, settlor, beneficiary, partner, member or shareholder of, or possessor of power over, the relevant noteholder or the beneficial owner, if such noteholder or the beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, without limitation, being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, 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 Notes or the receipt of any payment or exercise of any right under such Note, the Indenture or a Guarantee;

(2) any Taxes that would not have been so imposed or levied if the holder or the beneficial owner of the Note had, to the extent legally entitled to do so, complied with a reasonable request in writing of the Payor (at least 30 days before any such withholding or deduction would be payable) to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the noteholder or such beneficial owner or to make any declaration of non-residence or any other claim or filing or satisfy any certification, identification, information or reporting requirement for exemption from, or reduction in the rate of, withholding to which it is entitled (*provided* that such declaration of non-residence or other claim, filing or requirement is required by the applicable law, treaty, regulation or official administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from the requirement to deduct or withhold all or a part of any such Taxes);

(3) any Taxes, if the payment could have been made without such deduction or withholding if the beneficiary of the payment had presented the Note for payment (where presentation is required) within 30 days after the relevant payment was first made available for payment to the holder (*provided* that notice of such payment is given to the holders or beneficial owners, as applicable), except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30-day period;

(4) any Taxes that are payable otherwise than by deduction or withholding from a payment made under or with respect to the Notes or any Guarantee;

(5) 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 ("**Decree No. 239**") or pursuant to Italian Legislative Decree No. 461 of November 21, 1997, as amended or supplemented from time to time ("**Decree No. 461**") and any related implementing regulations, *provided* that:

   (a) Additional Amounts shall be payable in circumstances where the procedures required under Decree No. 239 or Decree No. 461 in order to benefit from an exemption from *imposta sostitutiva* have not been complied with due solely to the actions or omissions of a Payor or its agents; and

   (b) for the avoidance of doubt, (1) 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 (the "**White List**") and (2) no Additional Amounts shall be payable with respect to Taxes to the extent such Taxes are on account of *imposta sostitutiva* if the holder or beneficial owner becomes subject to *imposta sostitutiva* after the Issue Date by reason of any change in Decree No. 239, Decree No. 461 or any change in the White List;

(6) any estate, inheritance, gift, sales, excise, transfer, personal property or similar Taxes;

(7) any Taxes payable under or imposed pursuant to Sections 1471 through 1474 of the Code, as of the date of this Offering Memorandum (or any amended or successor version), any current or future regulations or official interpretations thereof, any agreements entered into pursuant thereto, and any intergovernmental agreements implementing the foregoing (including any legislation or other official guidance relating to such intergovernmental agreements);

(8) any Taxes directly attributable to the failure of the representation in paragraph (13) under "*Transfer Restrictions*" to be true with respect to the relevant holder or beneficial owner; or

(9) any combination of the above.

Such Additional Amounts will also not be payable with respect to a noteholder 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 settlor 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, settlor, member or beneficial owner held such Notes directly.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant taxing authority of the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain and provide certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each relevant taxing authority of each Relevant Taxing Jurisdiction imposing such Taxes and will provide such certified copies to the Trustee. If, notwithstanding the efforts of such Payor to obtain such receipts, the same are not obtainable, such Payor will provide the Trustee with other reasonable evidence. Such receipts or other evidence will be made available by the Trustee to holders on written reasonable request.

If any Payor will be obligated to pay Additional Amounts under or with respect to any payment made on the Notes or any 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 thereafter).

The Trustee and the Paying Agent shall be entitled to rely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Indenture, the Notes, any Guarantee or this "Description of Notes" there is mention of, in any context:

(i) the payment of principal;

(ii) redemption prices or purchase prices in connection with a redemption or purchase of Notes;

(iii) interest; or

(iv) 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 as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay and reimburse any present or future stamp, issue, registration, court or documentary Taxes, or any other excise, property or similar Taxes (including any related interest or penalties with respect thereto) that arise in any Relevant Taxing Jurisdiction from the execution, delivery, issuance, registration or enforcement of any Notes, the Indenture or any other document or instrument in relation thereto (other than, in each case, in connection with a transfer of the Notes after this offering and limited solely, in the case of such Taxes that arise from the receipt of any payments of principal or interest on the Notes, to any such Taxes that are not excluded under clauses (1) through (3) and (5) through (8)). The foregoing obligations will survive any termination, defeasance or discharge of the Indenture and any transfer by a holder or beneficial owner and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is incorporated or organized, engaged in business for tax purposes, or any jurisdiction from or through which any payment under or with respect to the Notes (or any Guarantee) is made by or on behalf of such payor, or otherwise considered to be a resident for tax purposes, or any political subdivision or taxing authority or agency thereof or therein having the power to tax.

Mandatory Redemption

Except as set forth above under the caption "*—Escrow of Proceeds; Special Mandatory Redemption*", the Issuer will not be required to make any mandatory redemption or sinking fund payments with respect to the Notes.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Paying Agent or the Registrar will select Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, and in compliance with the requirements of Euroclear, Clearstream or DTC, as applicable, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear, Clearstream or DTC, as applicable, or Euroclear, Clearstream or DTC, as applicable, prescribes no method of selection, on a *pro rata* basis by use of a pool factor; *provided, however*, that no Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of €1,000 will be redeemed. Neither the Trustee, the Paying Agent nor the Registrar will be liable for any selections made in accordance with this paragraph.

All notices to holders of the Notes will be validly given if mailed to them at their respective addresses in the register of holders, if any, maintained by the Registrar. For Notes which are represented by global certificates held on behalf of Euroclear, Clearstream or DTC, as applicable, notices may be given by delivery of the relevant notices to Euroclear, Clearstream or DTC, as applicable, in substitution for the aforesaid mailing to holders of the Notes.

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 notice of redemption on the website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange. Such notice of the change in a Paying Agent, Registrar or Transfer Agent may also be published in a daily newspaper with general circulation in Luxembourg or by other methods considered as equivalent by the Luxembourg Stock Exchange.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note 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 Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

Change of Control

Upon the occurrence of a Change of Control after the Issue Date, each holder will have the right to require the Issuer to purchase all or any part of such holder's Notes at a purchase price in cash (the "**Change of Control Payment**") equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to (but not including) the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the purchase date), except to the extent the Issuer has previously elected to redeem all of the Notes as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will mail 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 has occurred or, if the Change of Control Offer is being made in advance of a Change of Control, that a Change of Control is expected to occur, and that such holder has, or upon such occurrence will have, the right to require the Issuer to purchase such holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to (but not including) the date of purchase (subject to the right of holders of record on a record date to receive interest on the relevant interest payment date falling prior to or on the purchase date);

(2) describing the circumstances and relevant facts regarding the transaction or transactions that constitute, or are expected to constitute, such Change of Control;

(3) stating that the purchase date (which shall be no earlier than 10 days nor later than 60 days (unless delivered in advance of the occurrence of such Change of Control) from the date such notice is delivered) (the "**Change of Control Payment Date**");

(4) stating that unless the Issuer defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date and stating that any Note not properly tendered will remain outstanding and continue to accrue interest;

(5) stating that holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender such Notes, with the form entitled "Option of Holder to Elect Purchase" on the reverse of such Notes completed, to the Paying Agent specified in the notice at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date;

(6) that holders will be entitled to withdraw their tendered Notes and their election to require the Issuer to purchase such Notes; *provided* that the Paying Agent receives, not later than the expiration time of the Change of Control Offer, a telegram, telex, facsimile transmission or letter setting forth the name of the holder of the Notes, the principal amount of Notes tendered for purchase, and a statement that such holder is withdrawing its tendered Notes and its election to have such Notes purchased;

(7) that if a holder (other than a holder of a global note) is tendering for purchase less than all of its Notes, the Issuer will issue new Notes and such new Notes will be equal in principal amount to the unpurchased portion of the Notes surrendered and the unpurchased portion of the Notes must be equal to €100,000 or an integral multiple of €1,000 in excess thereof;

(8) stating that if such notice is delivered prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control; and

(9) the other instructions determined by the Issuer, consistent with this covenant, that a holder must follow in order to have its Notes purchased.

While the Notes are in global form and the Issuer makes an offer to purchase all of the Notes pursuant to the Change of Control Offer, a holder of the Notes may exercise its option to elect for the purchase of the Notes to be made through the facilities of Euroclear, Clearstream or DTC, as applicable, in accordance with the rules and regulations thereof.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control 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 validly withdrawn under such Change of Control Offer. Additionally, the Issuer will not be required to make a Change of Control Offer if the Issuer has previously issued a notice of a full redemption pursuant to the provisions set forth under the heading "*—Optional Redemption*".

A Change of Control Offer may be made in advance of a Change of Control, and conditioned upon such Change of Control.

The Issuer will comply, to the extent applicable, with the requirements of Rule 14e-1 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 this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached their obligations under this paragraph by virtue of such compliance.

On the Change of Control Payment Date, the Issuer will, to the extent permitted by law,

(1) accept for payment all Notes issued by the Issuer or portions thereof validly tendered and not withdrawn pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the aggregate Change of Control Payment in respect of all Notes or portions thereof so tendered;

(3) deliver, or cause to be delivered, to the Trustee for cancellation the Notes so accepted together with an Officer's Certificate to the Trustee stating that such Notes or portions thereof have been tendered to and purchased by the Issuer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the paying 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 deliver 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 a Change of Control on the website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange. Such notice of the change in a Paying Agent, Registrar or Transfer Agent may also be published in a daily newspaper with general circulation in Luxembourg or by other methods considered as equivalent by the Luxembourg Stock Exchange.

This Change of Control purchase provision is a result of negotiations between the Issuer and the Initial Purchasers. The Issuer has no present intention to engage in a transaction involving a Change of Control, although it is possible that the Issuer could decide to do so in the future. Subject to the limitations discussed below, the Issuer could, in the future, enter into certain transactions, including asset sales, equity sales, acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of Indebtedness outstanding at such time or otherwise affect the Issuer's 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 Issuance of Disqualified Stock and Preferred Stock*", "*—Certain Covenants—Liens*" and "*—Certain Covenants—Liens on Intellectual Property*". Such restrictions in the Indenture can be waived only with the consent of the holders of a majority in aggregate principal amount of the Notes then outstanding. 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.

Future credit agreements or other agreements to which the Issuer becomes a party may prohibit or limit, the Issuer from purchasing any Notes as a result of a Change of Control. In the event a Change of Control occurs at a time when the Issuer is prohibited from purchasing the Notes, the Issuer could seek the consent of its lenders or investors to permit the purchase of the Notes or could attempt to refinance the borrowings or securities that contain such prohibition. If the Issuer does not obtain such consent or repay such borrowings or securities, the Issuer will remain prohibited from purchasing the Notes. In such case, the Issuer's failure to purchase tendered Notes after any applicable notice and lapse of time would constitute an Event of Default under the Indenture.

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 any of the events that constitute a Change of Control would trigger a change of control under the Existing Indenture. Moreover, the occurrence of certain of the events that constitute a Change of Control would require a mandatory prepayment of Indebtedness under the Revolving Credit Facility Agreement. In addition, certain events that may constitute a change of control under the Revolving Credit 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 its 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. Additionally, 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 itself does not, due to the financial effect of such repurchase on the Issuer. Moreover, the Issuer's ability to pay cash to the holders following the occurrence of a Change of Control 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 purchases.

The definition of "Change of Control" includes a phrase relating to the sale, lease or transfer of all or substantially all of the assets of the Issuer and its Subsidiaries, taken as a whole, to any Person other than one or more Permitted Holders. Although there is a body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Issuer to purchase its Notes as a result of a sale, lease or transfer of less than all of the assets of the Issuer and its Subsidiaries taken as a whole to another Person or group may be uncertain. See "*Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral—The term "all or substantially all in the context of a change of control has no clearly established meaning under relevant laws and is subject to judicial interpretation such that it may not be certain that a change of control has occurred or will occur"*." In addition, the definition of "Change of Control" and "Permitted Holders" expressly permit a third party to obtain control of the Issuer in a transaction which is a Specified Change of Control Event without any obligation to make a Change of Control Offer.

The provisions under the Indenture relating to the Issuer's obligation to make an offer to purchase the Notes as a result of a Change of Control, including the definition of "Change of Control", may be waived or modified at any time (including after a Change of Control) with the written consent of the holders of a majority in aggregate principal amount of the Notes then outstanding.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture. If on any date following the Issue Date (i) the Notes have achieved Investment Grade Status and (ii) no Default has occurred and is continuing under the Indenture (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a "**Covenant Suspension Event**"), the Issuer and its Restricted Subsidiaries will not be subject to the following covenants or provisions (collectively, the "**Suspended Covenants**"):

(1) "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(2) "*—Limitation on Restricted Payments*";

(3) "*—Dividend and other Payment Restrictions affecting Subsidiaries*";

(4) "*—Asset Sales*";

(5) "*—Change of Control*";

(6) "*—Transactions with Affiliates*";

(7) "*—Impairment of Security Interests*";

(8) "*—Future Guarantors*";

(9) the second, third and fourth paragraphs of the definition of "Unrestricted Subsidiary"; and

(10) clause (4) of the first paragraph of "*—Merger, Consolidation, Amalgamation or Sale of all or Substantially all Assets*".

In the event that the Issuer and its Restricted Subsidiaries are not subject to the Suspended Covenants under the Indenture for any period of time as a result of the foregoing, and on any subsequent date (the "**Reversion Date**") the Notes cease to have Investment Grade Status, then the Issuer and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants under the Indenture with respect to future events.

The period of time between the occurrence of a Covenant Suspension Event and the Reversion Date is referred to in this description as the "**Suspension Period**". Upon the occurrence of a Covenant Suspension Event, the amount of Excess Proceeds from Net Cash Proceeds shall be reset at zero. With respect to Restricted Payments made after the Reversion Date, the amount of Restricted Payments made will be calculated as though the covenant described under "*—Limitation on Restricted Payments*" had been in effect prior to, but not during, the Suspension Period. No Subsidiary may be designated as an Unrestricted Subsidiary during the Suspension Period, unless such designation would have complied with the covenant described under "*—Limitation on Restricted Payments*" as if such covenant were in effect during such period. In addition, all Indebtedness Incurred, or Disqualified Stock or Preferred Stock issued, during the Suspension Period will be classified to have been Incurred or issued pursuant to clause (b)(ii) of the definition of "Permitted Debt". In addition, for purposes of the covenant described under "*—Transactions with Affiliates*", all agreements and arrangements entered into by the Issuer and any Restricted Subsidiary with an Affiliate of the Issuer during the Suspension Period prior to such Reversion Date will be deemed to have been entered pursuant to clause (16)(ii) of the second paragraph of "*—Transactions with Affiliates*", and for purposes of the covenant described under "*—Dividend and other Payment Restrictions affecting Subsidiaries*", all contracts entered into during the Suspension Period prior to such Reversion Date that contain any of the restrictions contemplated by such covenant will be deemed to have been entered pursuant to clause (1) of the second paragraph of "*—Dividend and other Payment Restrictions affecting Subsidiaries*". In addition, any Change of Control during such Suspension Period shall not require a Change of Control Offer during or after the Suspension Period; *provided* that if the public notice of an arrangement that could result in a Change of Control occurs during a Suspension Period and the Notes cease to have Investment Grade Status during the period commencing 90 days prior to such notice until the end of the 90 day period following such notice (which 90 day period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by at least two of the Rating Agencies) then the Issuer shall be required to make a Change of Control Offer upon the Reversion Date.

During the Suspension Period, any reference in the definition of "Unrestricted Subsidiary" to the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" or any provision thereof shall be construed as if such covenant had remained in effect since the Issue Date and during the Suspension Period.

Notwithstanding that the Suspended Covenants may be reinstated, no Default or Event of Default will be deemed to have occurred as a result of any failure to comply with the Suspended Covenants during any Suspension Period and the Issuer and any Subsidiary of the Issuer will be permitted, without causing a Default or Event of Default or breach of any of the Suspended Covenants (notwithstanding the reinstatement thereof) under the Indenture, to honor, comply with or otherwise perform any contractual commitments or obligations entered into during a Suspension Period following a Reversion Date and to consummate the transactions contemplated thereby; *provided* that, to the extent any such commitment or obligation results in the making of a Restricted Payment, such Restricted Payment shall be made under clause (c) of the first paragraph or the second paragraph of the covenant described under "*—Limitation on Restricted Payments*" and if not permitted by any of such provisions, such Restricted Payment shall be deemed permitted under clause (c) of the first paragraph of the covenant described under "*—Limitation on Restricted Payments*" and shall be deducted for purposes of calculating the amount pursuant to such clause (c) (so that the amount available under such clause (c) immediately following such Restricted Payment shall be negative).

The Issuer shall notify the Trustee indicating the occurrence of any Covenant Suspension Event or Reversion Date. The Trustee will have no obligation to (i) independently determine or verify if such events have occurred, (ii) make any determination regarding the impact of actions taken during the Suspension Period on the Issuer and its Restricted Subsidiaries' future compliance with their covenants or (iii) notify the holders of any Covenant Suspension Event or Reversion Date; *provided* that, no such notification shall be a condition for the suspension or reversion of the covenants described hereunder to be effective. There can be no assurance that the Notes will ever achieve or maintain Investment Grade Status.

Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock

The Indenture will provide that the Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness) or issue any shares of Disqualified Stock, and the Issuer will not permit any of its Restricted Subsidiaries to issue any shares of Preferred Stock; *provided*, *however*, that the Issuer and any Restricted Subsidiary may Incur Indebtedness (including Acquired Indebtedness) or issue shares of Disqualified Stock and any Restricted Subsidiary may issue shares of Preferred Stock if on the date of such Incurrence or issuance and after giving effect thereto on a Pro Forma Basis (including application of the proceeds thereof), (1) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would have been 2.00 to 1.00 or greater; and (2) to the extent that the Indebtedness is Senior Secured Indebtedness, the Consolidated Senior Secured Net Debt Ratio for the Issuer and its Restricted Subsidiaries would have been no greater than 5.50 to 1.00; *provided*, *further*, that the aggregate amount of Indebtedness (including Acquired Indebtedness) Incurred and Disqualified Stock or Preferred Stock issued pursuant to the foregoing by Non-Guarantor Subsidiaries shall not exceed the greater of (x) €60 million and (y) 44.5% of Consolidated EBITDA, at any one time outstanding.

The foregoing limitations will not apply to (collectively, "**Permitted Debt**"):

(a) the Incurrence or issuance by the Issuer or its Restricted Subsidiaries of Indebtedness or Disqualified Stock or the issuance by its Restricted Subsidiaries of Preferred Stock under any Credit Agreement, the guarantees thereof and the issuance and creation of letters of credit and bankers' acceptances thereunder (with letters of credit and bankers' acceptances being deemed to have a principal amount equal to the face amount thereof) up to an aggregate outstanding principal amount or liquidation preference, if applicable, (i) not to exceed the greater of (x) €130 million and (y) 100% of Consolidated EBITDA, *plus* (ii) in the case of any refinancing of any Indebtedness permitted under this clause (a) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(b) (i) the Incurrence by the Issuer and the Guarantors of Indebtedness represented by (x) the Notes (not including any Additional Notes) and the Guarantees thereof, (y) the Existing Fixed Rate Notes and the guarantees thereof, and (z) any related "parallel debt" obligations related to the Notes and the Guarantees under the Intercreditor Agreement or any Additional Intercreditor Agreement and the Security Documents as well as "parallel debt" obligations related to any other Indebtedness permitted to be Incurred pursuant to the Indenture; (ii) any Indebtedness and Disqualified Stock of the Issuer and its Restricted Subsidiaries and Preferred Stock of its Restricted Subsidiaries existing on the Issue Date (excluding Indebtedness described in clause (a) or (b)(i) above that is Incurred or existing (or deemed to be Incurred or existing) on the Issue Date or any Reversion Date), but, for the avoidance of doubt, including all Capitalized Lease Obligations existing on the Issue Date or Reversion Date); (iii) Indebtedness Incurred in respect of Management Advances; and (iv) any loan or other instrument constituting Indebtedness Incurred by the Issuer or any Restricted Subsidiary and owing to the Issuer or any other Restricted Subsidiary that is subordinated in right of payment to the Notes and the Guarantees in compliance with the Intercreditor Agreement or any Additional Intercreditor Agreement contributing the proceeds of the Notes;

(c) Indebtedness (including, without limitation, Capitalized Lease Obligations and mortgage financings as purchase money obligations) Incurred by the Issuer or any of its Restricted Subsidiaries, Disqualified Stock issued by the Issuer or any of its Restricted Subsidiaries and Preferred Stock issued by any of its Restricted Subsidiaries to finance all or any part of the purchase, lease, construction, installation, repair or improvement of property (real or personal), plant or equipment or other fixed or capital assets (whether through the direct purchase of assets or the Capital Stock of any Person owning such assets) and Indebtedness, Disqualified Stock or Preferred Stock arising from the conversion of the obligations of the Issuer or any Restricted Subsidiary under or pursuant to any "synthetic lease" transactions to on-balance sheet Indebtedness of the Issuer or such Restricted Subsidiary, in an aggregate principal amount or liquidation preference, including all Indebtedness Incurred and Disqualified Stock or Preferred Stock issued to renew, refund, refinance, replace, defease or discharge any Indebtedness Incurred or Disqualified Stock or Preferred Stock issued pursuant to this clause (c), not to exceed the greater of (x) €35 million and (y) 26% of Consolidated EBITDA, at any one time outstanding, *plus*, in the case of any refinancing of any Indebtedness, Disqualified Stock or Preferred Stock permitted under this clause (c) or any portion thereof, any Refinancing Expenses (it being understood that any Indebtedness, Disqualified Stock or Preferred Stock Incurred pursuant to this clause (c) shall cease to be deemed Incurred or outstanding pursuant to this clause (c) but shall be deemed Indebtedness Incurred and outstanding under the first paragraph of this covenant from and after the first date on which the Issuer or such Restricted Subsidiary, as the case may be, could have Incurred such Indebtedness, Disqualified Stock or Preferred Stock as Indebtedness under the first paragraph of this covenant (to the extent the Issuer or such Restricted Subsidiary is able to Incur any Liens related thereto as Permitted Liens, Permitted Intellectual Property Liens or Permitted Collateral Liens, as applicable, after such reclassification));

(d) Indebtedness Incurred or Disqualified Stock issued by the Issuer or any of its Restricted Subsidiaries and Preferred Stock issued by any of its Restricted Subsidiaries constituting reimbursement obligations with respect to letters of credit or bank guarantees or similar instruments issued in the ordinary course of business, including, without limitation, (i) letters of credit or performance or surety bonds in respect of workers' compensation claims, health, disability or other employee benefits (whether current or former) or property, casualty or liability insurance or self-insurance, or other Indebtedness with respect to reimbursement-type obligations regarding workers' compensation claims, health, disability or other employee benefits (whether current or former) or property, casualty or liability insurance and (ii) guarantees of Indebtedness Incurred by customers in connection with the purchase or other acquisition of equipment or supplies in the ordinary course of business;

(e) the Incurrence of Indebtedness, Disqualified Stock or Preferred Stock arising from agreements of the Issuer or its Restricted Subsidiaries providing for customary guarantees, indemnification, earn-outs, adjustment of purchase or acquisition price or similar obligations, in each case, Incurred in connection with the Transactions or with the acquisition or disposition of any business, assets or a Subsidiary of the Issuer in accordance with the terms of the Indenture, other than guarantees of Indebtedness Incurred or Disqualified Stock or Preferred Stock issued by any Person acquiring all or any portion of such business, assets or Subsidiary for the purpose of financing such acquisition;

(f) Indebtedness or Disqualified Stock of the Issuer to a Restricted Subsidiary; *provided* that (x) such Indebtedness (except in respect of intercompany liabilities Incurred in the ordinary course of business or in connection with cash pooling or Cash Management Services or tax positions of the Issuer and its Restricted Subsidiaries) or Disqualified Stock owing to a Non-Guarantor Subsidiary, to the extent legally permitted, shall be subordinated in right of payment to the Issuer's Obligations with respect to the Indenture or the Guarantee of the Guarantors with respect to the Obligations under the Indenture and (y) any subsequent issuance or transfer of any Capital Stock or any other event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such Indebtedness or Disqualified Stock (except to the Issuer or another Restricted Subsidiary) shall be deemed, in each case, to be an Incurrence of such Indebtedness or an issuance of such Disqualified Stock not permitted by this clause (f);

(g) shares of Preferred Stock of a Restricted Subsidiary issued to the Issuer or another Restricted Subsidiary; *provided* that any subsequent issuance or transfer of any Capital Stock or any other event that results in any Restricted Subsidiary that holds such shares of Preferred Stock of another Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such shares of Preferred Stock (except to the Issuer or another Restricted Subsidiary) shall be deemed, in each case, to be an issuance of shares of Preferred Stock not permitted by this clause (g);

(h) Indebtedness, Disqualified Stock or Preferred Stock of a Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary; *provided* that (x) if a Guarantor Incurs such Indebtedness (except in respect of intercompany liabilities Incurred in the ordinary course of business or in connection with cash pooling or Cash Management Services or tax positions of the Issuer and its Restricted Subsidiaries), Disqualified Stock or Preferred Stock owing to a Non-Guarantor Subsidiary, such Indebtedness, Disqualified Stock or Preferred Stock is, to the extent legally permitted, subordinated in right of payment to the Issuer's Obligations with respect to the Indenture or the Guarantee of such Guarantor, as applicable and (y) any subsequent issuance or transfer of any Capital Stock or any other event that results in any Restricted Subsidiary lending such Indebtedness, Disqualified Stock or Preferred Stock ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such Indebtedness, Disqualified Stock or Preferred Stock (except to the Issuer or another Restricted Subsidiary) shall be deemed, in each case, to be an Incurrence of such Indebtedness, Disqualified Stock or Preferred Stock not permitted by this clause (h);

(i) Swap Contracts or Cash Management Services other than for speculative purposes;

(j) obligations (including reimbursement obligations with respect to letters of credit or bank guarantees or similar instruments) in respect of customs, self-insurance, performance, indemnity, bid, appeal and surety bonds, advance payment, VAT or other tax guarantees or other similar bonds, instruments or obligation and completion guarantees and warranties and similar obligations provided by the Issuer or any Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement;

(k) Indebtedness or Disqualified Stock of the Issuer or any of its Restricted Subsidiaries and Preferred Stock of any of its Restricted Subsidiaries in an aggregate principal amount or liquidation preference that, when aggregated with the principal amount or liquidation preference of all other Indebtedness, Disqualified Stock and Preferred Stock then outstanding and Incurred pursuant to this clause (k), does not exceed the greater of (x) €75 million and (y) 55.5% of Consolidated EBITDA, at any one time outstanding, *plus*, in the case of any refinancing of any Indebtedness, Disqualified Stock or Preferred Stock permitted under this clause (k) or any portion thereof, any Refinancing Expenses (it being understood that any Indebtedness Incurred or Disqualified Stock or Preferred Stock issued pursuant to this clause (k) shall cease to be deemed Incurred, issued or outstanding pursuant to this clause (k) but shall be deemed Indebtedness Incurred or issued and outstanding under the first paragraph of this covenant from and after the first date on which the Issuer or such Restricted Subsidiary, as the case may be, could have Incurred such Indebtedness or issued such Disqualified Stock or Preferred Stock as Indebtedness under the first paragraph of this covenant (to the extent the Issuer or such Restricted Subsidiary is able to Incur any Liens related thereto as Permitted Liens, Permitted Intellectual Property Liens or Permitted Collateral Liens, as applicable, after such reclassification));

(l) (i) any guarantee by the Issuer or a Restricted Subsidiary of Indebtedness, Disqualified Stock, Preferred Stock or other obligations of the Issuer or any of its Restricted Subsidiaries so long as the Incurrence of such Indebtedness, Disqualified Stock, Preferred Stock or other obligations by the Issuer or such Restricted Subsidiary is permitted under the terms of the Indenture; *provided* that, if the Indebtedness being guaranteed is subordinated or *pari passu* with a Guarantee, then the guarantee of such Indebtedness shall be subordinated or *pari passu* to the same extent as the Indebtedness being guaranteed; or (ii) without limiting the covenant described under "*—Liens*" or "*—Liens on Intellectual Property*", Indebtedness arising by reason of any Lien granted by or applicable to any Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(m) Refinancing Indebtedness Incurred by the Issuer or any of its Restricted Subsidiaries in respect of Indebtedness Incurred or Disqualified Stock or Preferred Stock issued under the first paragraph of this covenant or permitted under clause (b), this clause (m), clause (n) or clause (q) of this paragraph or sub-clause (y) of each of clauses (c), (k), (s), (bb) or (cc) of this paragraph (*provided* that any amounts Incurred under this clause (m) as Refinancing Indebtedness in respect of Indebtedness Incurred pursuant to sub-clause (y) of any of these clauses shall reduce the amount available under such sub-clause (y) of such clause so long as such Refinancing Indebtedness remains outstanding) or any Indebtedness Incurred or Disqualified Stock or Preferred Stock issued to so refund, replace, refinance, redeem, repurchase, retire or defease such Indebtedness, Disqualified Stock or Preferred Stock, *plus* any additional Indebtedness Incurred or Disqualified Stock or Preferred Stock issued to pay accrued and unpaid interest and any Refinancing Expenses;

(n) (A) Indebtedness, Disqualified Stock or Preferred Stock (i) of the Issuer or any of its Restricted Subsidiaries Incurred or assumed in connection with an acquisition of any assets (including Capital Stock), business or Person or any similar Investment and (ii) of any Person that is acquired by the Issuer or any of its Restricted Subsidiaries or merged into or consolidated or amalgamated with the Issuer or a Restricted Subsidiary in accordance with the terms of the Indenture and (B) Indebtedness Incurred or Disqualified Stock or Preferred Stock issued or, in each case, assumed in anticipation of, or in connection with, an acquisition of any assets, business or Person; *provided*, *however*, that after giving *pro forma* effect to such acquisition, merger, consolidation or amalgamation or similar Investment and the Incurrence of such Indebtedness, Disqualified Stock or Preferred Stock, either:

  (1) (a) the Issuer would be permitted to Incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio in the first paragraph of this covenant; or (b) the Fixed Charge Coverage Ratio of the Issuer is equal to or greater than such ratio

immediately prior to giving *pro forma* effect to such acquisition, merger, consolidation or amalgamation or similar Investment; and

(2) to the extent that the Indebtedness Incurred under this clause (n) constitutes Senior Secured Indebtedness, either: (a) the Issuer would have been able to Incur €1.00 of additional Senior Secured Indebtedness pursuant to the Consolidated Senior Secured Net Debt Ratio in first paragraph of this covenant; or (b) the Consolidated Senior Secured Net Debt Ratio for the Issuer would be equal to or less than it was immediately prior to giving *pro forma* effect to such acquisition, merger, consolidation, amalgamation or similar Investment;

(o) Indebtedness, Disqualified Stock or Preferred Stock arising from 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;

(p) Indebtedness, Disqualified Stock or Preferred Stock of the Issuer or any Restricted Subsidiary supported by a letter of credit or bank guarantee issued pursuant to any credit facility permitted under the Indenture, so long as such letter of credit has not been terminated and is in a principal amount not in excess of the stated amount of such letter of credit or bank guarantee;

(q) Contribution Indebtedness;

(r) Indebtedness, Disqualified Stock or Preferred Stock of the Issuer or any Restricted Subsidiary consisting of (i) the financing of insurance premiums or (ii) take-or-pay obligations contained in supply arrangements, in each case, in the ordinary course of business;

(s) Indebtedness, Disqualified Stock or Preferred Stock of Non-Guarantor Subsidiaries in an aggregate principal amount or liquidation preference, as applicable, not to exceed the greater of (x) €15 million and (y) 11.25% of Consolidated EBITDA, at any one time outstanding, *plus*, in the case of any refinancing of any Indebtedness, Disqualified Stock or Preferred Stock permitted under this clause (s) or any portion thereof, any Refinancing Expenses (it being understood that any Indebtedness Incurred or Disqualified Stock or Preferred Stock issued pursuant to this clause (s) shall cease to be deemed Incurred, issued or outstanding pursuant to this clause (s) but shall be deemed Incurred or issued and outstanding under the first paragraph of this covenant from and after the first date on which such Non-Guarantor Subsidiary could have Incurred such Indebtedness or issued such Disqualified Stock or Preferred Stock under the first paragraph of this covenant (to the extent such Non-Guarantor Subsidiary is able to Incur any Liens related thereto as Permitted Liens, Permitted Intellectual Property Liens or Permitted Collateral Liens, as applicable, after such reclassification));

(t) Indebtedness, Disqualified Stock or Preferred Stock of a joint venture to the Issuer or a Restricted Subsidiary and to the other holders of Equity Interests or participants of such joint venture, so long as the percentage of the aggregate amount of such Indebtedness, Disqualified Stock or Preferred Stock of such joint venture owed to such holders of its Equity Interests or participants of such joint venture does not exceed the percentage of the aggregate outstanding amount of the Equity Interests of such joint venture held by such holders or such participant's participation in such joint venture;

(u) Indebtedness (i) Incurred or Disqualified Stock or Preferred Stock issued in a Qualified Receivables Financing that is not recourse to the Issuer or any Restricted Subsidiary other than a Receivables Subsidiary (except for Standard Securitization Undertakings) or (ii) constituting factoring (including, but not limited to, Recourse Factoring or Securitization), securitizations or similar arrangements in an aggregate principal outstanding amount not to exceed the greater of (x) €30 million and (y) 22.25% of Consolidated EBITDA outstanding at any time;

(v) Indebtedness owed or Disqualified Stock or Preferred Stock issued on a short-term basis to banks and other financial institutions in the ordinary course of business of the Issuer and the

Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements, including cash management, cash pooling arrangements and related activities to manage cash balances of the Issuer and its Subsidiaries and joint ventures including treasury, depository, overdraft, credit, purchasing or debit card, electronic funds transfer and other cash management arrangements and Indebtedness in respect of netting services, overdraft protection, credit card programs, automatic clearinghouse arrangements and similar arrangements;

(w) Indebtedness, Disqualified Stock or Preferred Stock consisting of Indebtedness, Disqualified Stock or Preferred Stock issued by the Issuer or any Restricted Subsidiary to future, current or former officers, directors, managers, employees, consultants and independent contractors thereof or any direct or indirect parent thereof, their respective estates, heirs, family members, spouses or former spouses, in each case to finance the purchase or redemption of Equity Interests of the Issuer or any direct or indirect parent of the Issuer to the extent permitted under "*—Limitation on Restricted Payments*";

(x) customer deposits and advance payments received in the ordinary course of business from customers for goods purchased in the ordinary course of business;

(y) Indebtedness Incurred or Disqualified Stock issued by the Issuer or any Restricted Subsidiary or Preferred Stock issued by any of the Issuer's Restricted Subsidiaries in connection with bankers' acceptances, discounted bills of exchange, warehouse receipts or similar facilities or the discounting or factoring of receivables for credit management purposes, in each case Incurred or undertaken in the ordinary course of business;

(z) Indebtedness Incurred or Disqualified Stock issued by the Issuer or any Restricted Subsidiary or Preferred Stock issued by any of the Issuer's Restricted Subsidiaries to the extent that the net proceeds thereof are promptly deposited with the Trustee to satisfy and discharge the Notes in accordance with the Indenture;

(aa) (i) guarantees Incurred in the ordinary course of business in respect of obligations to suppliers, customers, franchisees, lessors, licensees, sub-licensees and distribution partners and (ii) Indebtedness Incurred by the Issuer or a Restricted Subsidiary as a result of leases entered into by the Issuer or such Restricted Subsidiary or any direct or indirect parent of the Issuer in the ordinary course of business;

(bb) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness Incurred or Disqualified Stock or Preferred Stock issued on behalf, or representing guarantees of Indebtedness Incurred or Disqualified Stock or Preferred Stock issued by, joint ventures; *provided* that the aggregate principal amount or liquidation preference, as applicable, of Indebtedness Incurred or guaranteed or Disqualified Stock or Preferred Stock issued or guaranteed pursuant to this clause (bb) does not exceed the greater of (x) €15 million and (y) 11.25% of Consolidated EBITDA, at any one time outstanding, *plus*, in the case of any refinancing of any Indebtedness, Disqualified Stock or Preferred Stock permitted under this clause (bb) or any portion thereof, any Refinancing Expenses (it being understood that any Indebtedness Incurred or Disqualified Stock or Preferred Stock issued pursuant to this clause (bb) shall cease to be deemed Incurred, issued or outstanding pursuant to this clause (bb) but shall be deemed Incurred or issued and outstanding under the first paragraph of this covenant from and after the first date on which the Issuer or such Restricted Subsidiary could have Incurred or guaranteed such Indebtedness or issued or guaranteed such Disqualified Stock or Preferred Stock as Indebtedness under the first paragraph of this covenant (to the extent the Issuer or such Restricted Subsidiary is able to Incur any Liens related thereto as Permitted Liens, Permitted Intellectual Property Liens or Permitted Collateral Liens, as applicable, after such reclassification));

(cc) Indebtedness, Disqualified Stock or Preferred Stock of the Issuer or a Restricted Subsidiary Incurred to finance or assumed in connection with an acquisition of any assets (including Capital Stock), business or Person in an aggregate principal amount or liquidation preference that does not exceed the greater of (x) €30 million and (y) 22.25% of Consolidated EBITDA, at any one time outstanding *plus*, in the case of any refinancing of any Indebtedness, Disqualified Stock or Preferred Stock permitted under this clause (cc) or any portion thereof, any Refinancing Expenses (it being understood that any Indebtedness Incurred or Disqualified Stock or Preferred Stock issued pursuant to this clause (cc) shall cease to be deemed Incurred, issued or outstanding pursuant to this clause (cc) but shall be deemed Incurred or issued and outstanding under the first paragraph of this covenant from and after the first date on which the Issuer or such Restricted Subsidiary, as the case may be, could have Incurred such Indebtedness or issued such Disqualified Stock or Preferred Stock as Indebtedness under the first paragraph of this covenant (to the extent the Issuer or such Restricted Subsidiary is able to Incur any Liens related thereto as Permitted Liens, Permitted Intellectual Property Liens or Permitted Collateral Liens, as applicable, after such reclassification));

(dd) Indebtedness, Disqualified Stock or Preferred Stock consisting of obligations of the Issuer or any Restricted Subsidiary under deferred compensation or other similar arrangements incurred by such Person in connection with the Transactions or any Permitted Investment; and

(ee) unfunded pension fund and other employee benefit plan obligations and liabilities to the extent that they are permitted to remain unfunded under applicable law.

For purposes of determining compliance with this covenant, (1) in the event that an 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 or issued under the first paragraph of this covenant, the Issuer shall, in its sole discretion, at the time of Incurrence or issuance, divide, classify or reclassify, or at any later time divide, classify or reclassify, such item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) in any manner that complies with this covenant, *provided* that all Indebtedness under the Revolving Credit Facility Agreement outstanding on the Original Acquisition Completion Date shall be deemed to have been Incurred pursuant to clause (a) of the definition of "Permitted Debt" and the Issuer shall not be permitted to reclassify all or any portion of Indebtedness outstanding on the Original Acquisition Completion Date pursuant to clause (a) of the definition of "Permitted Debt"; (2) 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; (3) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Agreement and are being treated as Incurred pursuant to the first or second paragraphs above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included; (4) the amount of Indebtedness that may be Incurred or Disqualified Stock or Preferred Stock that may be issued pursuant to any provision of this covenant or secured pursuant to the covenant set forth under "*—Liens*" and "*—Liens on Intellectual Property*" in any case where such amounts are or may be based on Consolidated EBITDA (or any ratio of which Consolidated EBITDA is a component), shall not be deemed to be exceeded, with respect to such Incurrence or grant of Lien, due solely to the result of fluctuations in the amount of Consolidated EBITDA (and, for the avoidance of doubt, such Indebtedness, Disqualified Stock or Preferred Stock and such Lien will be permitted to be refinanced or replaced notwithstanding that, after giving effect to such refinancing or replacement, such excess will continue); (5) 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; (6) 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; (7) for the purposes of determining "Consolidated EBITDA", Consolidated EBITDA of the Issuer and its Restricted

Subsidiaries will be calculated on a Pro Forma Basis; (8) 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; and (9) 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 (23) of the definition of "Permitted Liens", any Permitted Collateral Lien or any Permitted Intellectual Property Liens, the Incurrence or issuance thereof for all purposes under the Indenture, including, without limitation, for purposes of calculating the Fixed Charge Coverage Ratio, the Consolidated Total Net Debt Ratio or the Consolidated Senior Secured Net Debt Ratio, as applicable, or use of clauses (a) through (ee) of the preceding paragraph (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 on the date of such revolving credit facility or such entry into or increase in commitments (assuming that the full amount thereof has been borrowed as of such date) or other Indebtedness, Disqualified Stock or Preferred Stock, and, if such Fixed Charge Coverage Ratio, the Consolidated Total Net Debt Ratio or the Consolidated Senior Secured Net Debt 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 and under the covenants described under "*—Liens*" and "*—Liens on Intellectual Property*", irrespective of the Fixed Charge Coverage Ratio, Consolidated Total Net Debt Ratio, Consolidated Senior Secured Net Debt 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 clause (a) shall be the "***Reserved Indebtedness Amount***" as of such date for purposes of the Fixed Charge Coverage Ratio, Consolidated Total Net Debt Ratio, Consolidated Senior Secured Net Debt Ratio, as applicable, or other provision of the Indenture, and, to the extent the usage of clauses (a) through (ee) of the preceding paragraph (if any), shall be deemed to be Incurred and outstanding under such clauses) 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 at any time and from time to time.

Accrual of interest or dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest or dividends in the form of additional Indebtedness with the same terms, the payment of dividends on Disqualified Stock or Preferred Stock in the form of additional shares of Disqualified Stock or Preferred Stock of the same class, the accretion of liquidation preference and increases in the amount of Indebtedness, Disqualified Stock or Preferred Stock outstanding solely as a result of fluctuations in the exchange rate of currencies will not be deemed to be an Incurrence of Indebtedness or issuance of Disqualified Stock or Preferred Stock for purposes of this covenant. Guarantees of, or obligations in respect of letters of credit relating to, Indebtedness that are otherwise included in the determination of a particular amount of Indebtedness shall not be included in the determination of such amount of Indebtedness; *provided* that the Incurrence of the Indebtedness represented by such guarantee or letter of credit, as the case may be, was in compliance with this covenant.

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 the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*", the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness or the issuance of Disqualified Stock or Preferred Stock, the Euro Equivalent of the principal amount or liquidation preference, as applicable, of Indebtedness, Disqualified Stock or Preferred Stock denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was committed or Incurred, in the case of term debt, or, at the option of the Issuer, first committed or first Incurred (whichever yields the lower Euro Equivalent), in the case of revolving credit debt or debt financing to fund an acquisition, or first issued in the case of Disqualified Stock or Preferred Stock; *provided* that; (a) if such Indebtedness, Disqualified Stock or Preferred Stock is Incurred to refinance other Indebtedness, Disqualified Stock or Preferred Stock, as the case may be, denominated in a currency other than euro, 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 or liquidation preference, as applicable, of such Refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of Refinancing Indebtedness; (b) the Euro Equivalent of the principal amount or liquidation preference, as applicable, of any such Indebtedness outstanding on the Issue Date (with reference to the Issuer or any of its Restricted Subsidiaries) or the Completion Date (with reference to the Target Group) (as applicable) shall be calculated based on the relevant currency exchange rate in effect on the Issue Date (with reference to Indebtedness of the Issuer or any of its Restricted Subsidiaries) or the Completion Date (with reference to Indebtedness of the Target Group) (as applicable); and (c) if any such Indebtedness that is denominated in a different currency is subject to a Swap Contract (with respect to the euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will be adjusted to take into account the effect of such agreement.

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 or liquidation preference, as applicable, of any Indebtedness Incurred or Disqualified Stock or Preferred Stock issued to refinance other Indebtedness, Disqualified Stock or Preferred Stock, as the case may be, if Incurred or issued in a different currency from the Indebtedness, Disqualified Stock or Preferred Stock being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness, Disqualified Stock or Preferred Stock is denominated that is in effect on the date of such refinancing.

No Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness.

Limitation on Restricted Payments

The Indenture will provide that the Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any payment or distribution on account of the Issuer's or any of its Restricted Subsidiaries' Equity Interests, including any payment made in connection with any merger, amalgamation or consolidation involving the Issuer (other than (A) dividends or distributions by the Issuer payable solely in Equity Interests (other than Disqualified Stock) or in options, warrants or other rights to purchase such Equity Interests of the Issuer or in Subordinated Shareholder Funding; or (B) dividends or distributions by a Restricted Subsidiary so long as, in the case of any dividend or distribution payable on or in respect of any class or series of securities issued by a Restricted Subsidiary other than a Wholly Owned Restricted Subsidiary, the Issuer or a Restricted Subsidiary receives at least its pro rata share of such dividend or distribution in accordance with its Equity Interests in such class or series of securities);

(2) purchase, redeem, defease or otherwise acquire or retire for value any Equity Interests of the Issuer or any direct or indirect parent of the Issuer, including in connection with any merger, amalgamation or consolidation;

(3) make any principal payment on, or redeem, repurchase, defease or otherwise acquire or retire for value, in each case, prior to any scheduled repayment, sinking fund payment or maturity, any Subordinated Indebtedness of the Issuer or any Guarantor (other than the payment, redemption, repurchase, defeasance, acquisition or retirement of (A) Subordinated Indebtedness of the Issuer or any Guarantor in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of such payment, redemption, repurchase, defeasance, acquisition or retirement and (B) Indebtedness permitted under clause (b)(iv), (f) or (h) of the definition of "Permitted Debt"); or

(4) make any payment (other than by capitalization of interest) on or with respect to, or purchase, repurchase, 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;

(all such payments and other actions set forth in clauses (1) through (5) above being collectively referred to as "**Restricted Payments**"), unless, at the time of such Restricted Payment:

(a) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof;

(b) immediately after giving effect to such transaction on a Pro Forma Basis, the Issuer could Incur €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio contained in the first paragraph of the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*"; and

(c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and its Restricted Subsidiaries after the Existing Notes Issue Date (including Restricted Payments permitted by clause (1) of the next succeeding paragraph, but excluding all other Restricted Payments permitted by the next succeeding paragraph), is less than the sum of, without duplication,

   (1) (i) €25 million *plus* (ii) 50% of the Consolidated Net Income of the Issuer for the period (taken as one accounting period) from the first day of the fiscal quarter commencing prior to the Existing Notes Issue Date to the end of the Issuer's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment, or, in the case that such Consolidated Net Income for such period is a deficit, *minus* 100% of such deficit, *plus*

   (2) 100% of the aggregate net proceeds, including cash and the Fair Market Value of property, assets (other than cash) or marketable securities, received by the Issuer after the Existing Notes Issue Date from the issue or sale of Equity Interests of the Issuer or Subordinated Shareholder Funding or otherwise contributed to the equity of the Issuer (other than Excluded Equity), including such Equity Interests issued upon exercise of warrants or options, *plus*

   (3) 100% of the aggregate amount of contributions to the capital of the Issuer received in cash and the Fair Market Value of property, assets (other than cash) or marketable securities or from the issuance or sale by the Issuer or any Restricted Subsidiary of any Indebtedness that has been converted into or exchanged for Equity Interests of the Issuer or Subordinated Shareholder Funding (plus the amount of any cash, and the Fair Market Value of property or assets (other than cash) or marketable securities, received by the Issuer or any Restricted Subsidiary upon such conversion or exchange), in each case, after the Existing Notes Issue Date (other than Excluded Equity), *plus*

   (4) the principal amount of any Indebtedness, or the liquidation preference or Maximum Fixed Repurchase Price, as the case may be, of any Disqualified Stock, in each case, of the

Issuer or any Restricted Subsidiary thereof issued after the Existing Notes Issue Date (other than Indebtedness or Disqualified Stock issued to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Restricted Subsidiary (other than to the extent such employee stock ownership plan or trust has been funded by the Issuer or any Restricted Subsidiary)) that, in each case, has been converted into or exchanged for Equity Interests in the Issuer or any direct or indirect parent of the Issuer (other than Excluded Equity), *plus*

(5) 100% of the aggregate amount received by the Issuer or any Restricted Subsidiary in cash and the Fair Market Value of property, assets (other than cash) received by the Issuer or any Restricted Subsidiary (less any amounts distributed as Total Leverage Excess Proceeds), in each case following the Existing Notes Issue Date, from:

(A) the sale or other disposition (other than to the Issuer or a Restricted Subsidiary of the Issuer) of Restricted Investments made by the Issuer and its Restricted Subsidiaries and from repurchases and redemptions of such Restricted Investments from the Issuer and its Restricted Subsidiaries by any Person (other than the Issuer or any of its Restricted Subsidiaries) and from repayments of loans or advances that constituted Restricted Investments,

(B) the sale (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Restricted Subsidiary (other than to the extent such employee stock ownership plan or trust has been funded by the Issuer or any Restricted Subsidiary)) of the Equity Interests of an Unrestricted Subsidiary, and

(C) any distribution or dividend from an Unrestricted Subsidiary, plus

(6) in the event any Unrestricted Subsidiary has been redesignated as a Restricted Subsidiary or has been merged, consolidated or amalgamated with or into, or transfers or conveys its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary, in each case after the Existing Notes Issue Date, the Fair Market Value of the Investment of the Issuer in such Unrestricted Subsidiary at the time of such redesignation, combination or transfer (or of the assets transferred or conveyed, as applicable), other than in each case to the extent that the designation of such Subsidiary as an Unrestricted Subsidiary was made pursuant to clause (19) of the next succeeding paragraph or constituted a Permitted Investment, *plus*

(7) the aggregate amount of Retained Declined Proceeds since the Existing Notes Issue Date (to the extent holders were provided notice in connection with the Asset Sale Offer related thereto that any Excess Proceeds not accepted by the holders shall constitute Retained Declined Proceeds and such Retained Declined Proceeds will increase the amount available for Restricted Payments under clause (c) of this first paragraph of this covenant to the extent not otherwise applied in accordance with clause (11) of the next paragraph);

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-clause (2) or (3) of the preceding clause (c) will be excluded to the extent (1) such amounts result from the receipt of net cash proceeds or property or assets or marketable securities received in contemplation of, or in connection with, an event that would otherwise constitute a Change of Control pursuant to the definition thereof, (2) the purpose and effect of the receipt of such net cash proceeds or property or assets or marketable securities was to reduce the Consolidated Total Net Debt Ratio of the Issuer so that there would be an occurrence of a Specified Change of Control Event that would not have been achieved without the receipt of such net cash proceeds or property or assets or marketable securities and (3) no Change of Control Offer is made in accordance with the requirements of the Indenture; *provided* that, Excluded Amounts shall be limited to the amount of net cash proceeds or property or assets or marketable securities necessary to reduce the Consolidated Total Net Debt Ratio to cause the occurrence of a Specified Change of Control Event, and amounts of net cash proceeds or property or assets or marketable securities received in excess thereof shall not constitute Excluded Amounts.

The foregoing provisions will not prohibit:

(1) the payment of any dividend or distribution or consummation of any redemption within 60 days after the date of declaration thereof or the giving of a redemption notice related thereto, if at the date of declaration or notice such payment would have complied with the provisions of the Indenture;

(2) (a) the redemption, repurchase, retirement or other acquisition of any Equity Interests ("**Retired Capital Stock**") of the Issuer or any direct or indirect parent of the Issuer, or Subordinated Indebtedness of the Issuer or any Guarantor, in exchange for, or out of the proceeds of the issuance or sale of, Equity Interests of the Issuer or any direct or indirect parent of the Issuer or contributions to the equity capital of the Issuer (other than Excluded Equity) (collectively, including any such contributions, "**Refunding Capital Stock**");

(b) the declaration and payment of accrued dividends on the Retired Capital Stock out of the proceeds of the issuance or sale (other than to a Restricted Subsidiary of the Issuer or to an employee stock ownership plan or any trust established by the Issuer or any of its Restricted Subsidiaries) of Refunding Capital Stock; and

(c) if immediately prior to the retirement of the Retired Capital Stock, the declaration and payment of dividends thereon was permitted pursuant to this covenant and has not been made as of such time (the "**Unpaid Amount**"), 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 Equity Interests of the Issuer or any direct or indirect parent of the Issuer) in an aggregate amount no greater than the Unpaid Amount;

(3) the prepayment, redemption, defeasance, repurchase or other acquisition or retirement of Subordinated Indebtedness of the Issuer or any Guarantor made by exchange for, or out of the proceeds of the Incurrence of, Refinancing Indebtedness thereof;

(4) the purchase, retirement, redemption or other acquisition (or Restricted Payments to the Issuer or any direct or indirect parent of the Issuer to finance any such purchase, retirement, redemption or other acquisition) for value of Equity Interests (including related stock appreciation rights or similar securities) of the Issuer or any direct or indirect parent of the Issuer held directly or indirectly by any future, present or former employee, officer, director, manager, consultant or independent contractor of the Issuer or any direct or indirect parent of the Issuer or any Subsidiary of the Issuer or their estates, heirs, family members, spouses or former spouses or permitted transferees (including for all purposes of this clause (4), Equity Interests held by any entity whose Equity Interests are held by any such future, present or former employee, officer, director, manager, consultant or independent contractor or their estates, heirs, family members, spouses or former spouses or permitted transferees) pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or other agreement or arrangement or any stock subscription or shareholder or similar agreement; *provided*, *however*, that the aggregate amounts paid under this clause (4) shall not exceed (x) €10 million in any calendar year or (y) subsequent to the consummation of any Public Offering of Equity Interests of the Issuer or any direct or indirect parent of the Issuer, €15 million in any calendar year (in each case, starting from the Existing Notes Issue Date and with unused amounts in any calendar year being permitted to be carried over for the next two succeeding calendar years); *provided*, *further*, *however*, that such amount in any calendar year may be increased by an amount not to exceed:

(a) the cash proceeds received by the Issuer from the issuance or sale of Equity Interests (other than Disqualified Stock) or Subordinated Shareholder Funding of the Issuer or any direct or indirect parent of the Issuer (to the extent contributed to the Issuer), in each case, to any future, present or former employees, officers, directors, managers, consultants or independent contractors of the Issuer or its Restricted Subsidiaries or any direct or indirect parent of the Issuer that occurs on or after the Existing Notes Issue Date, other than in connection with, or pursuant to the Equity Contribution; *provided* that the amount of such cash proceeds utilized for any such repurchase, retirement, other acquisition or dividend will not increase the amount available for Restricted Payments under clause (c) of the first paragraph of this covenant; *plus*

(b) the cash proceeds of key man life insurance policies received by the Issuer or its Restricted Subsidiaries or any direct or indirect parent of the Issuer (to the extent contributed to the Issuer) after the Existing Notes Issue Date; *plus*

(c) the amount of any cash bonuses otherwise payable to employees, officers, directors, managers, consultants or independent contractors of the Issuer or its Restricted Subsidiaries or any direct or indirect parent of the Issuer that are foregone in return for the receipt of Equity Interests after the Existing Notes Issue Date; *less*

(d) the amount of cash proceeds described in sub-clause (a), (b) or (c) of this clause (4) previously used to make Restricted Payments pursuant to this clause (4); *provided* that the Issuer may elect to apply all or any portion of the aggregate increase contemplated by sub-clauses (a), (b) and (c) above in any calendar year; *provided*, *further*, that cancellation of Indebtedness owing to the Issuer or any Restricted Subsidiary from any future, current or former officer, director, employee, manager, consultant or independent contractor (or any permitted transferees thereof) of the Issuer or any of its Restricted Subsidiaries or any direct or indirect parent of the Issuer, in connection with a repurchase of Equity Interests of the Issuer or any direct or indirect parent of the Issuer from such Persons will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provisions of the Indenture;

(5) (i) the declaration and payment of dividends or distributions to holders of any class or series of Disqualified Stock of the Issuer or any of its Restricted Subsidiaries and any class or series of Preferred Stock of any Restricted Subsidiaries and (ii) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Disqualified Stock of the Issuer or Preferred Stock of the Issuer or any Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Disqualified Stock of the Issuer or Preferred Stock of the Issuer or any Restricted Subsidiary, in each case, issued or Incurred in accordance with the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(6) the declaration and payment of dividends or distributions to holders of any class or series of Designated Preferred Stock (other than Disqualified Stock) and the declaration and payment of dividends to the Issuer or any direct or indirect parent of the Issuer, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preferred Stock (other than Disqualified Stock) of the Issuer or any direct or indirect parent of the Issuer issued after the Existing Notes Issue Date; *provided*, *however*, that (A) immediately preceding the date of issuance of such Designated Preferred Stock, the Fixed Charge Coverage Ratio of the Issuer, calculated on a Pro Forma Basis, is 2.00 to 1.00 or greater and (B) the aggregate amount of dividends declared and paid pursuant to this clause (6) does not exceed the net cash proceeds contributed in cash to the equity of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer, as applicable, from the sale of Designated Preferred Stock;

(7) (A) Restricted Payments made in connection with the consummation of the Transactions, including any dividends, payments or loans made to the Issuer or any direct or indirect parent of the Issuer to enable it to make any such payments and (B) on or after the date that is six months after the Original Acquisition Completion Date, any Restricted Payments in an

aggregate amount not to exceed, in the case of this clause 7(B), the Specified Sponsors Overfunding Amount;

(8) 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 Holdings Entity or any direct or indirect parent of the Issuer 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) 7% of the cash proceeds received from such Public Offering or subsequent Equity Offering by the Issuer or contributed to the capital of the Issuer by any direct or indirect parent of the Issuer in any form other than Indebtedness or Excluded Contributions; 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 Debt Ratio shall be equal to or less than 4.75 to 1.0, the greater of (x) 7% of the Market Capitalization and (y) 7% of the IPO Market Capitalization; and (ii) where, after giving *pro forma* effect to such dividends, distributions, cash payments, loans or expense reimbursements, the Consolidated Total Net Debt Ratio shall be greater than 4.75 to 1.0, but equal to or less than 5.00 to 1.0, the greater of (x) 5% of the Market Capitalization and (y) 5% of the IPO Market Capitalization;

(9) Restricted Payments that are made with (i) Excluded Contributions or (ii) Investments in exchange for or using as consideration Investments previously made under this clause (9) and, in the case of sub-clause (ii), where such exchange or consideration is at Fair Market Value;

(10) Restricted Payments in an aggregate amount taken together with all other Restricted Payments made pursuant to this clause (10) not to exceed the greater of (x) €40 million and (y) 29.75% of Consolidated EBITDA;

(11) the payment, purchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Indebtedness, Disqualified Stock or Preferred Stock of the Issuer and its Restricted Subsidiaries pursuant to provisions similar to those described under "*—Change of Control*" and "*—Asset Sales*"*; provided* that, prior to such payment, purchase, redemption, defeasance or other acquisition or retirement for value, the Issuer (or a third party to the extent permitted by the Indenture) have made any Change of Control Offer or Asset Sale Offer, as the case may be, with respect to the Notes, and have repurchased, redeemed, defeased, acquired or retired all Notes validly tendered and not validly withdrawn in connection with such Change of Control Offer or Asset Sale Offer, as the case may be;

(12) for so long as the Issuer or any of its Subsidiaries are members of a group filing a consolidated, combined, affiliated or unitary income (or franchise in lieu of income) tax return with any Holdings Entity or any other direct or indirect parent of the Issuer, Restricted Payments, directly or indirectly, to any Holdings Entity or such other direct or indirect parent of the Issuer in amounts required for such Holdings Entity or such other parent entity to pay federal, national, non-U.S., state and local income taxes (and franchise taxes or other similar taxes imposed in lieu of income taxes) imposed on such entity to the extent such taxes are attributable to the Issuer and its Subsidiaries; *provided*, *however*, that the amount of such payments in respect of any tax year does not, in the aggregate, exceed the amount that the Issuer and its Subsidiaries that are members of such consolidated, combined, affiliated or unitary group would have been required to pay in respect of federal, national, non-U.S., state and local income and/or franchise taxes (as the case may be) in respect of such year if the Issuer and its Subsidiaries paid such income (and franchise) taxes directly on a separate company basis or as a stand-alone consolidated, combined, affiliated or unitary income (or similar) tax group (reduced by any such taxes paid directly by the Issuer or any Subsidiary);

(13) the declaration and payment of dividends, other distributions or other amounts to, or the making of loans to any Holdings Entity or any other direct or indirect parent of the Issuer, in the amount required for such entity to, if applicable:

(a) pay amounts equal to the amounts required for any Holdings Entity or any other direct or indirect parent of the Issuer to pay fees and expenses (including Related Taxes), customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers, employees, directors, managers, consultants or independent contractors of any such Holdings Entity or any other direct or indirect parent of the Issuer, if applicable, and general corporate operating (including, without limitation, expenses related to auditing and other accounting matters) and overhead costs and expenses of the Issuer or any direct or indirect parent of the Issuer, if applicable, in each case to the extent such fees, expenses, salaries, bonuses, benefits and indemnities are attributable to the ownership or operation of the Issuer and its Subsidiaries;

(b) pay, if applicable, amounts equal to amounts required for any Holdings Entity or any other direct or indirect parent of the Issuer to pay interest and/or principal on Indebtedness the proceeds of which have been contributed to the Issuer (other than as Excluded Equity) and that has been guaranteed by, and is otherwise considered Indebtedness of, the Issuer or any Restricted Subsidiary Incurred in accordance with the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" (except to the extent any such payments have otherwise been made by any such guarantor);

(c) pay fees and expenses incurred by any Holdings Entity or any other direct or indirect parent of the Issuer related to (i) the maintenance of such parent entity of its corporate or other entity existence and performance of its obligations under the Indenture and similar obligations under any Credit Agreement, (ii) any unsuccessful equity or debt offering of such parent entity (or any debt or equity offering from which such parent does not receive any proceeds), (iii) any equity or debt issuance, incurrence or offering, any disposition or acquisition or any investment transaction by the Issuer or any of its Restricted Subsidiaries (or any acquisition of or investment in any business, assets or property that will be contributed to the Issuer or any of its Restricted Subsidiaries as part of the same or a related transaction) permitted by the Indenture; and (iv) (in the case of this sub-clause (c)(iv)) extraordinary items not exceeding the greater of €3 million and 2.25% of Consolidated EBITDA per calendar year;

(d) pay franchise and excise taxes and other fees, taxes (including Related Taxes) and expenses in connection with any ownership of the Issuer or any of its Subsidiaries or required to maintain their organizational existences;

(e) make payments for the benefit of the Issuer or any of its Restricted Subsidiaries to the extent such payments could have been made by the Issuer or any of its Restricted Subsidiaries because such payments (x) would not otherwise be Restricted Payments and (y) would be permitted by the covenant described under "*—Transactions with Affiliates*"; and

(f) make Restricted Payments to any direct or indirect parent of the Issuer to finance, or to any direct or indirect parent of the Issuer for the purpose of paying to any other direct or indirect parent of the Issuer to finance, any Investment that, if consummated by the Issuer or any Restricted Subsidiary, would be a Permitted Investment; *provided* that (a) such Restricted Payment is made substantially concurrently with the closing of such Investment, (b) promptly following the closing thereof, such direct or indirect parent of the Issuer causes (i) all property acquired (whether assets or Equity Interests) to be contributed to the Issuer or any Restricted Subsidiary or (ii) the merger, consolidation or amalgamation (to the extent permitted by the covenant described under "*—Merger, Consolidation, Amalgamation or Sale of all or Substantially all Assets*") of the Person formed or acquired into the Issuer or any Restricted Subsidiary in order to consummate such acquisition or Investment, in each case, in accordance with the requirements of the covenant described under "*—Future Guarantors*"; and (c) such direct or indirect parent and its Affiliates (other than the Issuer and its Restricted Subsidiaries) receives no consideration or other payment in connection with such transaction except to the extent to the Issuer or a Restricted Subsidiary could have given such consideration or made such payment in compliance with the Indenture;

(14) (i) repurchases of Equity Interests of the Issuer or any direct or indirect parent of the Issuer deemed to occur upon exercise of stock options or warrants if such Equity Interests represent a portion of the exercise price of such options or warrants, (ii) payments made or expected to be made by the Issuer or any Restricted Subsidiary in respect of withholding or similar taxes payable or expected to be payable by any future, present or former director, officer, employee, manager, consultant or independent contractor of the Issuer or any direct or indirect parent of the Issuer or any Subsidiary of the Issuer (or their respective Affiliates, estates or immediate family members) in connection with the exercise of stock options or the grant, vesting or delivery of Equity Interests of the Issuer or any direct or indirect parent of the Issuer and (iii) loans or advances to officers, directors, employees, managers, consultants and independent contractors of the Issuer or any direct or indirect parent of the Issuer or any Subsidiary of the Issuer in connection with such Person's purchase of Equity Interests of the Issuer or any direct or indirect parent of the Issuer; *provided* that no cash is actually advanced pursuant to this sub-clause (iii) other than to pay taxes due in connection with such purchase, unless immediately repaid;

(15) purchases of receivables pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing or Recourse Factoring or Securitization and the payment or distribution of Receivables Fees;

(16) payments or distributions to satisfy dissenters' rights, pursuant to or in connection with a consolidation, merger, amalgamation or transfer of assets that complies with the provisions of the Indenture;

(17) the distribution, as a dividend or otherwise, of shares of Capital Stock of, or Indebtedness owed to the Issuer or a Restricted Subsidiary by, Unrestricted Subsidiaries;

(18) the payment of cash in lieu of the issuance of fractional shares of Equity Interests in connection with any merger, consolidation, amalgamation or other business combination, or in connection with any dividend, distribution or split of or upon exercise, conversion or exchange of Equity Interests, warrants, options or other securities exercisable or convertible into, Equity Interests of the Issuer or any direct or indirect parent of the Issuer;

(19) Investments in Unrestricted Subsidiaries having an aggregate Fair Market Value, taken together with all other Investments made pursuant to this clause (19) that are at the time outstanding, without giving effect to the sale of an Unrestricted Subsidiary to the extent the proceeds of such sale do not consist of cash, Cash Equivalents or marketable securities, not to exceed the greater of (x) €15 million and (y) 11.25% of Consolidated EBITDA (with the Fair Market Value of each Investment being measured at the time made and without giving effect to subsequent changes in value);

(20) the making of payments, directly or indirectly, (i) to any Initial Investor pursuant to or contemplated by any Management Agreement; (ii) to or on behalf of any Initial Investor for any other financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including, without limitation, in connection with acquisitions or divestitures, including in connection with the consummation of the Transactions, which payments in the case of clause (ii) are (x) made pursuant to agreements with any Initial Investor or (y) are approved in respect of such activities by a majority of the Board of Directors of the Issuer or any direct or indirect parent of the Issuer in good faith; and (iii) (in the case of this clause (20)(iii)), to the Initial Investors not exceeding the greater of (x) €5 million and (y) 3.75% of Consolidated EBITDA per calendar year;

(21) any Restricted Payment so long as immediately after giving *pro forma* effect to the making of such Restricted Payment, the Issuer's Consolidated Total Net Debt Ratio does not exceed 4.50 to 1.00;

(22) payments, dividends or distributions with any Total Leverage Excess Proceeds;

(23) any payment that is intended to prevent any Indebtedness from being treated as an applicable high yield discount obligation within the meaning of Section 163(i)(1) of the Code; and

(24) any Restricted Payment 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 (other than to a Subsidiary of the Issuer) of, Capital Stock of the Issuer (other than Disqualified Stock or Designated Preferred Stock), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity of the Issuer (other than Excluded Equity);

provided, *however*, that at the time of, and after giving effect to, any Restricted Payment permitted under clauses (7)(B), (10), (21) and (22), no Event of Default shall have occurred and be continuing or would occur as a consequence thereof. For purposes of clauses (12) and (13) above, taxes and Related Taxes shall include all interest and penalties with respect thereto and all additions thereto.

As of the Issue Date, all of the Issuer's Subsidiaries are expected to be "Restricted Subsidiaries" for purposes of the Indenture and, on the Completion Date, the Target and its subsidiaries are expected to be "Restricted Subsidiaries" for purposes of the Indenture. The Issuer will not permit any Restricted Subsidiary to become an Unrestricted Subsidiary, or any Unrestricted Subsidiary to become a Restricted Subsidiary, except pursuant to the definition of "Unrestricted Subsidiary". For purposes of designating any Restricted Subsidiary as an Unrestricted Subsidiary, all outstanding Investments by the Issuer and its Restricted Subsidiaries (except to the extent repaid) in the Subsidiary so designated will be deemed to be Restricted Payments or Permitted Investments in an amount determined as set forth in the last sentence of the definition of "Investments". Such designation will only be permitted if a Restricted Payment or Permitted Investment in such amount would be permitted at such time and if such Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants set forth in the Indenture.

For purposes of the covenant described above, if any Investment or Restricted Payment (or a portion thereof) would be permitted pursuant to one or more provisions described above and/or one or more of the exceptions contained in the definition of "Permitted Investments", the Issuer may divide and classify such Investment or Restricted Payment (or a portion thereof) in any manner that complies with this covenant and may later divide and reclassify any such Investment or Restricted Payment so long as the Investment or Restricted Payment (as so divided and/or reclassified) would be permitted to be made in reliance on the applicable exception as of the date of such reclassification; *provided* that any Restricted Payment made in reliance on clause (7)(B) above shall not be permitted to be reclassified as made pursuant to any other provision described above and shall be deemed at all times to have been made in reliance on such clause (7)(B).

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 any Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment.

Dividend and other Payment Restrictions affecting Subsidiaries

The Indenture will provide that the Issuer will not, and will not permit any of its Restricted Subsidiaries (other than the Guarantors) to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary (other than the Guarantors) to:

(a) (i) pay dividends or make any other distributions to the Issuer or any of its Restricted Subsidiaries on its Capital Stock; or (ii) pay any Indebtedness owed to the Issuer or any of its Restricted Subsidiaries;

(b) make loans or advances to the Issuer or any of its Restricted Subsidiaries; or

(c) sell, lease or transfer any of its properties or assets to the Issuer or any of its Restricted Subsidiaries,

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) (a) contractual encumbrances or restrictions of the Issuer or any of its Restricted Subsidiaries in effect on the Issue Date and Indebtedness permitted pursuant to clause (c) of the definition of "Permitted Debt", including the Existing Indenture, the Existing Notes and the guarantees thereof, the Indenture, the Notes, the Guarantees, any Credit Agreement (including the Revolving Credit Facility Agreement), the Security Documents and the security documents relating to the Existing Notes and the Revolving Credit Facility Agreement, the Intercreditor Agreement, any Additional Intercreditor Agreement and any other documents relating to the Indenture, the Notes, the Existing Indenture, the Existing Notes and the Revolving Credit Facility Agreement, including the Notes Documents; (b) contractual encumbrances or restrictions of the Target Group in effect at the Completion Date;

(2) applicable law or any applicable rule, regulation or order or required by any regulatory authority;

(3) any agreement or other instrument of a Person acquired by or merged, amalgamated or consolidated with or into the Issuer or any Restricted Subsidiary or an Unrestricted Subsidiary that is designated a Restricted Subsidiary that was in existence at the time of such acquisition (or at the time it merges with or into the Issuer or any Restricted Subsidiary or assumed in connection with the acquisition of assets from such Person (but, in each case, not created in contemplation thereof)), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired or designated; *provided* that in connection with a merger, amalgamation or consolidation under this clause (3), if a Person other than the Issuer or such Restricted Subsidiary is the successor company with respect to such merger, amalgamation or consolidation, any agreement or instrument of such Person or any Subsidiary of such Person, shall be deemed acquired or assumed, as the case may be, by the Issuer or such Restricted Subsidiary, as the case may be, at the time of such merger, amalgamation or consolidation;

(4) customary encumbrances or restrictions contained in contracts or agreements for the sale of assets applicable to such assets pending consummation of such sale, including customary restrictions with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of Capital Stock or assets of such Restricted Subsidiary;

(5) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

(6) customary provisions in operating or other similar agreements, asset sale agreements and stock sale agreements entered into in connection with the entering into of such transaction, which limitation is applicable only to the assets that are the subject of those agreements;

(7) purchase money obligations for property acquired and Capitalized Lease Obligations, to the extent such obligations impose restrictions of the nature discussed in clause (c) in the first paragraph of this covenant on the property so acquired;

(8) customary provisions contained in leases, sub-leases, licenses, sublicenses, contracts and other similar agreements entered into in the ordinary course of business to the extent such obligations impose restrictions of the type described in clause (c) in the first paragraph of this covenant on the property subject to such lease;

(9) any encumbrance or restriction effected in connection with a Qualified Receivables Financing or Recourse Factoring or Securitization that, in the good faith determination of the Issuer, is necessary or advisable to effect such Qualified Receivables Financing or Recourse Factoring or Securitization (as applicable);

(10) any encumbrance or restriction (a) contained in other Indebtedness, Disqualified Stock or Preferred Stock of the Issuer or any Restricted Subsidiary that is Incurred subsequent to the Issue Date pursuant to the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*"; *provided* that such encumbrances and restrictions contained in any agreement or instrument, taken as a whole, (i) will not materially affect the Issuer's ability to make anticipated principal or interest payments on the Notes (as determined by the Issuer or a direct or indirect parent of the Issuer in good faith); (ii) are not materially less favorable to the holders of the Notes than the encumbrances and restrictions contained in the Indenture, the Notes, the Existing Notes, the Existing Indenture, the Revolving Credit Facility Agreement, the Escrow Agreement and the Intercreditor Agreement, the Security Documents and the security documents relating to the Existing Notes, the Existing Indenture and the Revolving Credit Facility Agreement, in each case, as in effect on the Issue Date (or, with respect to each Security Document, the date on which such Security Document is entered into) (as determined by the Issuer or a direct or indirect parent of the Issuer in good faith); or (iii) as is customary in comparable financings (as determined by the Issuer or a direct or indirect parent of the Issuer in good faith) or where the Issuer determines that such encumbrance or restriction will not adversely affect in any material respect the Issuer's ability to make principal or interest payments on the Notes; or (b) constituting an Additional Intercreditor Agreement;

(11) any encumbrance or restriction existing by reason of any lien permitted under the covenants described under "*—Liens*" and "*—Liens on Intellectual Property*" to the extent limiting the right of the debtor to dispose of the assets securing such Indebtedness;

(12) any encumbrance or restriction arising or agreed to in the ordinary course of business, not relating to any Indebtedness, and that do not, individually or in the aggregate, (a) detract from the value of the property or assets of the Issuer or any Restricted Subsidiary in any manner material to the Issuer or any Restricted Subsidiary or (b) materially affect the Issuer's ability to make future principal or interest payments on the Notes, in each case, as determined by the Issuer in good faith;

(13) customary provisions in joint venture agreements or arrangements and other similar agreements or arrangements relating solely to the applicable joint venture;

(14) any encumbrance or restriction (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 the assignment or transfer of any lease, license or other contract; (b) contained in mortgages, charges, pledges 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 of the property or assets subject to such mortgages, charges, pledges or other security agreements; or (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(15) any encumbrances or restrictions pursuant to Swap Contracts or Cash Management Services; and

(16) any encumbrances or restrictions of the type referred to in clauses (a), (b) and (c) in the first paragraph of this covenant imposed by any amendments, modifications, restatements,

renewals, increases, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in the immediately preceding clauses (1) through (15) of this second paragraph of this covenant; *provided* that such encumbrances and restrictions contained in any such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing are, in the good faith judgment of the Issuer, not materially more restrictive, taken as a whole, than the encumbrances and restrictions prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing.

For purposes of determining compliance with this covenant, (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock shall not be deemed a restriction on the ability to make distributions on Capital Stock and (ii) the subordination of loans or advances made to the Issuer or a Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any such Restricted Subsidiary shall not be deemed a restriction on the ability to make loans or advances.

Asset Sales

The Indenture will provide that the Issuer will not, and will not permit any of its Restricted Subsidiaries to, cause or make an Asset Sale, unless:

(1) the Issuer or any of its Restricted Subsidiaries, 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 the time of such Asset Sale at least equal to the Fair Market Value (as determined at the time of contractually agreeing to such Asset Sale) of the assets sold or otherwise disposed of; and

(2) except in the case of a Permitted Asset Swap, at least 75% of the consideration therefor received by the Issuer or such Restricted Subsidiary, as the case may be, is in the form of cash or Cash Equivalents or Replacement Assets,

provided that the amount of:

(a) any liabilities (as shown on the Issuer's or such Restricted Subsidiary's most recent balance sheet or in the notes thereto for which internal financial statements are available immediately preceding such date or, if incurred or accrued subsequent to the date of such balance sheet, such liabilities that would have been reflected on the Issuer's or such Restricted Subsidiary's balance sheet or in the footnotes thereto if such incurrence or accrual had taken place on or prior to the date of such balance sheet in the good faith determination of the Issuer) of the Issuer or such Restricted Subsidiary (other than liabilities that are by their terms subordinated to the Notes) that are extinguished in connection with the transactions relating to such Asset Sale, or that are assumed by the transferee of any such assets or Equity Interests, in each case, pursuant to an agreement that releases or indemnifies the Issuer or such Restricted Subsidiary, as the case may be, from further liability;

(b) any notes or other obligations or other securities or assets received by the Issuer or such Restricted Subsidiary from such transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents, or by their terms are required to be satisfied for cash or Cash Equivalents (to the extent of the cash or Cash Equivalents received), in each case, within 180 days of the receipt thereof; and

(c) any Designated Non-cash Consideration received by the Issuer or any of its Restricted Subsidiaries in such Asset Sale having an aggregate Fair Market Value, taken together with all other Designated Non-cash Consideration received pursuant to this sub-clause (c) that is at that time outstanding, not to exceed the greater of (x) €30 million and (y) 22.25% of Consolidated EBITDA, calculated at the time of the receipt of such Designated Non-cash Consideration (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);

shall each be deemed to be Cash Equivalents for the purposes of this clause (2).

Within 365 days after the Issuer's or any Restricted Subsidiary's receipt of the Net Cash Proceeds of any Asset Sale, the Issuer or such Restricted Subsidiary may apply an amount equal to the Net Cash Proceeds from such Asset Sale, at its option:

(1) (a) prepay, repay, purchase or redeem any Indebtedness Incurred under clause (a) of the second paragraph of the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*"; (b) unless included in (1)(a), prepay, repay, purchase or redeem (i) any Notes and/or (ii) any Indebtedness (other than the Notes or Subordinated Indebtedness) that is secured by a Lien on the Collateral on a pari passu basis with the Notes (including Indebtedness that, pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement has priority status in respect of the proceeds from the enforcement of the Collateral) in the case of clause (1)(b)(ii), at a price of no more than 100% of such applicable Indebtedness, plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; or (c) prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary that is not a Guarantor or any Indebtedness that is secured on assets which do not constitute Collateral (in each case other than Subordinated Indebtedness of the Issuer or a Guarantor or Indebtedness owed to the Issuer or any Restricted Subsidiary); *provided* that, the Issuer will prepay, repay, purchase or redeem Capital Markets Debt (other than the Notes) pursuant to this clause (1) only if the Issuer either (A) equally and ratably reduces Obligations under the Notes as provided under "*—Optional Redemption*" or through open-market purchases (to the extent such purchases are at or above 100% of the principal amount thereof) or (B) makes an offer (in accordance with the procedures set forth below for an Asset Sale Offer) to all holders to purchase at a purchase price equal to 100% of the principal amount thereof, *plus* accrued and unpaid interest, if any, the principal amount of Notes that would otherwise be redeemed under sub-clause (A) above);

(2) purchase any Notes pursuant to an offer to all holders of such Notes at a purchase price in cash equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date) or redeem any Notes pursuant to the redemption provisions of the Indenture or by making an Asset Sale Offer to all holders of the Notes (in accordance with the procedures set out below); *provided*, *however*, that to the extent the Issuer or any Restricted Subsidiary has elected to purchase any amount of the Notes at a price not less than par, to the extent holders elect not to tender their Notes for such purchase, the Issuer will be deemed to have applied an amount of Net Cash Proceeds equal to such amount not tendered, and such amount shall not increase the amount of Excess Proceeds;

(3) to make an investment in any one or more businesses, assets (other than working capital assets), or property or capital expenditures, in each case used or useful in a Similar Business;

(4) to make an investment in any one or more businesses, properties (other than working capital assets) or assets (other than working capital assets) that replace the businesses, properties and/or assets that are the subject of such Asset Sale; or

(5) any combination of the foregoing;

provided that the Issuer and its Restricted Subsidiaries will be deemed to have complied with the provisions described in clause (3) or (4) of this paragraph if and to the extent that, within 365 days after the Asset Sale that generated the Net Cash Proceeds, the Issuer or such Restricted Subsidiary, as applicable, has entered into and not abandoned or rejected a binding agreement to make an investment in compliance with the provision described in clauses (3) or (4) of this paragraph, and that investment is thereafter completed within 180 days after the end of such 365-day period.

Notwithstanding the foregoing, to the extent that any of or all the Net Cash Proceeds of any Asset Sales by a Subsidiary (x) is prohibited or delayed by applicable local law from being repatriated to Italy, Denmark or Spain or (y) would have a material adverse tax consequence (taking into account any foreign tax credit or other net benefit actually realized in connection with such repatriation that would not otherwise be realized), as determined by the Issuer in its sole discretion, the portion of such Net Cash Proceeds so affected will not be required to be applied in compliance with this covenant, and such amounts may be retained by the applicable Subsidiary; *provided* that clause (x) of this paragraph shall apply to such amounts so long, but only so long, as the applicable local law will not permit repatriation to Italy, Denmark or Spain (the Issuer hereby agreeing to use commercially reasonable efforts to cause the applicable Subsidiary to take all actions reasonably required by the applicable local law, applicable organizational impediments or other impediment to permit such repatriation to Italy, Denmark or Spain), and if such repatriation of any of such affected Net Cash Proceeds is permitted under the applicable local law and is not subject to clause (y) of this paragraph, then, such repatriation will be promptly effected and such repatriated Net Cash Proceeds will be applied (net of additional taxes payable or reserved against as a result thereof) in compliance with this covenant. The time periods set forth in this covenant shall not start until such time as the Net Cash Proceeds may be repatriated to Italy, Denmark or Spain (whether or not such repatriation actually occurs).

Pending the final application of any such amount of Net Cash Proceeds, the Issuer or such Restricted Subsidiary may temporarily reduce Indebtedness under a revolving credit facility, if any, or otherwise invest or utilize such Net Cash Proceeds in any manner not prohibited by the Indenture. The Indenture will provide that any amount of Net Cash Proceeds from any Asset Sale that is not invested or applied as provided and within the time period set forth in the second paragraph of this covenant will be deemed to constitute "Excess Proceeds"; *provided* that any amount of proceeds offered to holders pursuant to clause (1)(c) or clause (2) of the second paragraph of this covenant or pursuant to an Asset Sale Offer made at any time after the Asset Sale shall be deemed to have been applied as required and shall not be deemed to be Excess Proceeds without regard to the extent to which such offer is accepted by the holders. When the aggregate amount of Excess Proceeds less Total Leverage Excess Proceeds (as defined below), if any, exceeds €20 million, the Issuer shall make an offer (an "**Asset Sale Offer**") to all holders of Notes and, if required by the terms of any Pari Passu Indebtedness, to all holders of such Pari Passu Indebtedness, to purchase the maximum principal amount of such Notes and Pari Passu Indebtedness, as appropriate, on a pro rata basis, that may be purchased out of the Excess Proceeds less Total Leverage Excess Proceeds, if any, at an offer price, in the case of the Notes, in cash in an amount equal to 100% of the principal amount thereof (or in the event such other Indebtedness was issued with original issue discount, 100% of the accreted value thereof), plus accrued and unpaid interest, if any (or such lesser price with respect to Pari Passu Indebtedness, if any, as may be provided by the terms of such other Indebtedness), to (but not including) the date fixed for the closing of such offer, in accordance with the procedures set forth in the Indenture and the agreement governing such Pari Passu Indebtedness. However, the Issuer shall only be required to make an Asset Sale Offer with 50% of the Excess Proceeds if the Consolidated Total Net Debt Ratio for the Issuer is less than or equal to the Specified Consolidated Total Net Debt Ratio after giving effect to any application of any Net Cash Proceeds as set forth herein, including completion of any prior offer to repurchase a portion of the Notes (any Excess Proceeds not required to be offered in an Asset Sale Offer in reliance on this sentence (i.e., such 50%) shall constitute "Total Leverage Excess Proceeds"). The Issuer will commence an Asset Sale Offer with respect to Excess Proceeds within ten Business Days after the date that such Excess Proceeds less any Total Leverage Excess Proceeds exceed €20 million by transmitting electronically or by mailing to the holders the notice required pursuant to the terms of the Indenture, with a copy to the Trustee or otherwise in accordance with the procedures of Euroclear, Clearstream or DTC, as applicable. The Issuer may satisfy the foregoing obligations with respect to such Net Cash Proceeds from an Asset Sale by making an Asset Sale Offer with respect to such Net Cash

Proceeds at any time prior to the expiration of the application period or by electing to make an Asset Sale Offer with respect to such Net Cash Proceeds before the aggregate amount of Excess Proceeds less any Total Leverage Excess Proceeds exceeds €20 million.

To the extent that the aggregate amount of Notes and any other Pari Passu Indebtedness tendered or otherwise surrendered in connection with an Asset Sale Offer made with Excess Proceeds less any Total Leverage Excess Proceeds is less than the amount offered in an Asset Sale Offer, the Issuer may use any remaining Excess Proceeds less any Total Leverage Excess Proceeds (any such amount, "**Retained Declined Proceeds**") for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and Pari Passu Indebtedness tendered or otherwise surrendered by holders thereof exceeds the amount offered in an Asset Sale Offer, the Trustee shall select the Notes (and the Issuer or its agents shall select such Pari Passu Indebtedness) to be purchased in the manner described below. Upon completion of any such Asset Sale Offer, the amount of Excess Proceeds shall be reset at zero. To the extent the Excess Proceeds less any Total Leverage Excess Proceeds exceed the outstanding aggregate principal amount of the Notes (and, if required by the terms thereof, all Pari Passu Indebtedness), the Issuer needs only make an Asset Sale Offer up to the outstanding aggregate principal amount of Notes (and any such Pari Passu Indebtedness), and any additional Excess Proceeds less any Total Leverage Excess Proceeds shall not be subject to this covenant and shall be permitted to be used for any purpose in the Issuer's discretion. The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent such laws or regulations are applicable in connection with the purchase of the Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations described in the Indenture by virtue thereof.

The provisions under the Indenture relative to the Issuer's obligation to make an offer to repurchase the Notes as a result of an Asset Sale may be waived or modified at any time with the written consent of the holders of a majority in principal amount of the Notes then outstanding.

Future credit agreements or other agreements to which the Issuer becomes a party may prohibit or limit, the Issuer from purchasing any Notes pursuant to an Asset Sale Offer. In the event the Issuer is prohibited from purchasing the Notes, the Issuer or one of its Affiliates could seek the consent of its lenders or investors to the purchase of the Notes or attempt to refinance the borrowings that contain such prohibition. If the Issuer or one of its Affiliates do not obtain such consent or repay such borrowings, they will remain prohibited from purchasing the Notes. In such case, the Issuer's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

If more Notes are tendered pursuant to an Asset Sale Offer than the Issuer is required to purchase, selection of such Notes for purchase will be made in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed (so long as the Trustee knows of such listing) or if such Notes are not listed, on a *pro rata* basis based on the total amount of Notes and Pari Passu Indebtedness tendered in connection with an Asset Sale Offer (with adjustments so that only Notes in denominations of the minimum denomination of €100,000 or integral multiples of €1,000 in excess thereof shall be purchased) by lot or by such other method as the Trustee shall deem fair and appropriate (and in such manner as complies with applicable legal requirements and, in the case of Global Notes, the procedures of the Depository); *provided* that the selection of Notes for purchase shall not result in a holder with a principal amount of Notes less than the minimum denomination of €100,000. No Note will be repurchased in part if less than the minimum denomination of such Note would be left outstanding.

Notices of an Asset Sale Offer shall be sent by first class mail, postage prepaid, or sent electronically, at least ten days but not more than 60 days before the purchase date to each holder of Notes at such holder's registered address or otherwise in accordance with Euroclear, Clearstream or DTC procedures, as applicable. If any Note is to be purchased in part only, any notice of purchase that relates to such Note shall state the portion of the principal amount thereof that has been or is to be purchased.

A new Note in principal amount equal to the unpurchased portion of any Note (other than a global note) purchased in part will be issued in the name of the holder thereof upon cancellation of the Note. On and after the purchase date, unless the Issuer defaults in payment of the purchase price, interest shall cease to accrue on Notes or portions thereof purchased.

Transactions with Affiliates

The Indenture will provide that the Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction or series of transactions, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Issuer involving aggregate consideration in excess of €10 million (each of the foregoing, an "**Affiliate Transaction**"), unless:

(a) such Affiliate Transaction is on terms that are not materially less favorable to the Issuer or the relevant Restricted Subsidiary than those that could have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person on an arm's-length basis (as determined in good faith by the senior management or the Board of Directors of the Issuer or any direct or indirect parent of the Issuer); and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €25 million, the Issuer delivers to the Trustee a resolution adopted in good faith by the majority of the Board of Directors of the Issuer or any direct or indirect parent of the Issuer, approving such Affiliate Transaction, together with an Officer's Certificate certifying that the Board of Directors of the Issuer or any direct or indirect parent of the Issuer determined or resolved that such Affiliate Transaction complies with clause (a) above.

The foregoing provisions will not apply to the following:

(1) (a) transactions between or among the Issuer and/or any of its Restricted Subsidiaries (or an entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among any Restricted Subsidiary or any Receivables Subsidiary and (b) any merger, amalgamation or consolidation of the Issuer and any Holdings Entity or any other direct or indirect parent of the Issuer;

(2) any issuance or sale of Subordinated Shareholder Funding, Equity Interests, options, other equity-related investments or other warrants or securities or right to purchase Equity Interests, 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, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation 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 or ratified by the Board of Directors of the Issuer;

(3) (a) Restricted Payments permitted by the Indenture and (b) Permitted Investments;

(4) transactions in which the Issuer or any of its Restricted Subsidiaries, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Issuer or such Restricted Subsidiary from a financial point of view or meets the requirements of clause (a) of the preceding paragraph;

(5) any Management Advances and any waiver or transaction with respect thereto;

(6) the Management Agreements or any transaction or payments (including reimbursement of out-of-pocket expenses or payments under any indemnity obligations) contemplated thereby;

(7) the existence of, or the performance by the Issuer or any of its Restricted Subsidiaries of its obligations under the terms of, the Acquisition Agreement, any stockholders or similar agreement (including any registration rights agreement or purchase agreement related thereto) to which it is a party entered into in connection with the Transactions or similar transactions, arrangements or agreements which it may enter into thereafter; *provided*, *however*, that the existence of, or the performance by the Issuer or any of its Restricted Subsidiaries of its obligations under, any future amendment to any such existing transaction, arrangement or agreement or under any similar transaction, arrangement or agreement entered into after the Completion Date shall only be permitted by this clause (7) to the extent that the terms of any such existing transaction, arrangement or agreement, together with all amendments thereto, taken as a whole, or new transaction, arrangement or agreement are not otherwise disadvantageous (as determined in good faith by the senior management or the Board of Directors of the Issuer or any direct or indirect parent of the Issuer) to the holders of the Notes, in any material respect when taken as a whole as compared with the original transaction, arrangement or agreement entered into in connection with the Transactions;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case, in the ordinary course of business and otherwise in compliance with the terms of the Indenture, which are fair to the Issuer and its Restricted Subsidiaries or are on terms at least as favorable (as determined in good faith by the senior management or the Board of Directors of the Issuer or any direct or indirect parent of the Issuer) as might reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction effected as part of a Qualified Receivables Financing or Recourse Factoring or Securitization;

(10) the sale, issuance or transfer of Equity Interests (other than Disqualified Stock) of the Issuer;

(11) payments by the Issuer or any of its Restricted Subsidiaries to or on behalf of any Initial Investor made for any financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including, without limitation, in connection with acquisitions or divestitures, which payments are (x) made pursuant to agreements with the Initial Investors or (y) approved by a majority of the Board of Directors of the Issuer or any direct or indirect parent of the Issuer in good faith or a majority of the disinterested members of the Board of Directors of the Issuer or any direct or indirect parent of the Issuer in good faith;

(12) any contribution to the capital of the Issuer (other than Disqualified Stock) or any investments by any Initial Investor or a direct or indirect parent of the Issuer in Equity Interests (other than Disqualified Stock of the Issuer) of the Issuer (and payment of reasonable out-of-pocket expenses incurred by any Initial Investor or a direct or indirect parent of the Issuer in connection therewith);

(13) any transaction with a Person (other than an Unrestricted Subsidiary) that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary owns an Equity Interest in or otherwise controls such Person; *provided* that no Affiliate of the Issuer or any of its Subsidiaries (other than the Issuer or a Restricted Subsidiary) shall have a beneficial interest or otherwise participate in such Person;

(14) transactions between the Issuer or any of its Restricted Subsidiaries and any Person that would constitute an Affiliate Transaction solely because such Person is a director, or such Person has a director which is also a director, of the Issuer or any direct or indirect parent of

the Issuer; *provided*, *however*, that such director abstains from voting as a director of the Issuer or such direct or indirect parent of the Issuer, as the case may be, on any matter involving such other Person;

(15) the entering into of any tax sharing agreement or arrangement;

(16) (i) transactions to effect the Transactions and the payment of all transaction, underwriting, commitment and other fees and expenses related to the Transactions (including the Transactions costs) and (ii) the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries under the terms of any transaction pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement, arrangement or instrument in effect as of or on the Issue Date, in the case of the Issuer and its Restricted Subsidiaries, or the Completion Date, in the case of the Target Group, or described in "*Certain Relationships and Related Party Transactions*" in the Offering Memorandum, in each case, as these agreements, arrangements and instruments may be amended, modified, supplemented, extended, renewed, replaced 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 in any material respect (as determined in good faith by the senior management or the Board of Directors of the Issuer or any direct or indirect parent of the Issuer);

(17) pledges of Equity Interests of Unrestricted Subsidiaries;

(18) the issuances of securities or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, equity purchase agreements, stock options and stock ownership plans or similar employee benefit plans approved by the Board of Directors of the Issuer or any direct or indirect parent of the Issuer in good faith;

(19) (i) any employment, consulting, service or termination agreement, or customary indemnification arrangements, entered into by the Issuer or any of its Restricted Subsidiaries with current, former or future officers, directors, employees, managers, consultants and independent contractors of the Issuer or any of its Restricted Subsidiaries (or of any direct or indirect parent of the Issuer to the extent such agreements or arrangements are in respect of services performed for the Issuer or any of the Restricted Subsidiaries), (ii) any subscription agreement or similar agreement pertaining to the repurchase of Equity Interests pursuant to put/call rights or similar rights with current, former or future officers, directors, employees, managers, consultants and independent contractors of the Issuer or any of its Restricted Subsidiaries or of any direct or indirect parent of the Issuer and (iii) any payment of compensation or other employee compensation, benefit plan or arrangement, any health, disability or similar insurance plan which covers officers, directors, employees, managers, consultants and independent contractors of the Issuer or any of its Restricted Subsidiaries or any direct or indirect parent of the Issuer (including amounts paid pursuant to any management equity plan or any other management or employee benefit plan or agreement or any stock subscription or shareholder agreement, stock option or similar plans and any successor plan thereto and any supplemental executive retirement benefit plans or arrangements), in each case in the ordinary course of business or as otherwise approved in good faith by the Board of Directors of either of the Issuer or of a Restricted Subsidiary or any direct or indirect parent of the Issuer;

(20) investments by Affiliates in Indebtedness or Preferred Stock of the Issuer or any of its Subsidiaries, so long as non-Affiliates were also offered the opportunity to invest in such Indebtedness or Preferred Stock, and transactions with Affiliates solely in their capacity as holders of Indebtedness or Preferred Stock of the Issuer or any of its Subsidiaries, so long as such transaction is with all holders of such class (and there are such non-Affiliate holders) and such Affiliates are treated no more favorably than all other holders of such class generally;

(21) the existence of, or the performance by the Issuer or any of its Restricted Subsidiaries of their obligations under the terms of, any registration rights agreement, shareholders' agreement or listing agreement to which they are a party or become a party in the future;

(22) investments by any of the Initial Investors or a direct or indirect parent of the Issuer in securities of the Issuer or debt securities or Preferred Stock of any Restricted Subsidiary (and payment of reasonable out-of-pocket expenses incurred by any of the Initial Investors or a direct or indirect parent of the Issuer in connection therewith);

(23) transactions with joint ventures for the purchase or sale of goods, equipment and services entered into in the ordinary course of business;

(24) any lease entered into between the Issuer or any Restricted Subsidiary, as lessee, and any Affiliate of the Issuer, as lessor, in the ordinary course of business;

(25) (i) intellectual property licenses in the ordinary course of business and (ii) intercompany intellectual property licenses and research and development agreements;

(26) transactions pursuant to, and complying with, (i) the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" to the extent such transaction complies with clause (a) of the first paragraph of this covenant or (ii) the second and fourth paragraphs of the covenant under "*—Merger, Consolidation, Amalgamation or Sale of all or Substantially all Assets*";

(27) intercompany transactions undertaken in good faith for the purpose of improving the consolidated tax efficiency of the Issuer and its Restricted Subsidiaries and not for the purpose of circumventing any covenant set forth herein; and

(28) any participation in a public tender or exchange offers for securities or debt instruments issued by the Issuer or any of its Subsidiaries that are conducted on arms' length terms and provide for the same price or exchange ratio, as the case may be, to all holders accepting such tender or exchange offer.

Liens

The Indenture will provide that the Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien securing Indebtedness on any of its assets or property (excluding Intellectual Property), whether owned on or acquired after the Issue Date, or any interest therein or any income or profits therefrom (such Lien, the "**Initial Lien**"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Notes and the Indenture (or a Guarantee of the Notes in the case of Liens of a Guarantor) are directly secured equally and ratably with, or senior 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, and (b), in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any Lien that is granted to secure the Notes or the applicable Guarantee pursuant to the preceding paragraphs shall be automatically and unconditionally released and discharged (i) at the same time as the release of the Initial Lien to which it relates and (ii) as otherwise set forth under*—Security—Release of Liens*.

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, any fees, underwriting discounts, accrued and unpaid interest, premiums and other costs and expenses incurred in connection therewith 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.

Liens on Intellectual Property

The Indenture will provide that the Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien securing Indebtedness for borrowed money on any of its Intellectual Property, whether owned on or acquired after the Issue Date (such Lien, the "**Initial Intellectual Property Lien**"), except (1)(a) Liens on Intellectual Property of the Issuer or any Restricted Subsidiary securing obligations, the principal amount of which does not exceed the greater of (x) €15 million and (y) 11.25% Consolidated EBITDA at any one time outstanding, and (b) Liens on Intellectual Property described in one or more of clauses (1), (2), (3), (4), (5), (6) (to the extent not securing Indebtedness for borrowed money), (7), (8), (12), (13), (19), (20), (22) (in respect of Liens permitted pursuant to clause (6) of the definition of "Permitted Liens" to the extent not securing Indebtedness for borrowed money), (28), (29), (30), (33), (36), (38), (40), (42), (43), (44) and (48) of the definition of "Permitted Liens" or (c) Liens on Intellectual Property described in clause (6) of the definition of Permitted Liens securing Indebtedness for borrowed money that will be repaid and discharged in connection with the Transactions and (2) Liens on Intellectual Property that are not otherwise permitted under this covenant if the Notes and the Indenture (or a Guarantee of the Notes in the case of Liens of a Guarantor) are directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness for borrowed money secured by such Initial Intellectual Property Lien for so long as such Indebtedness is so secured (clauses (1) and (2), together, "**Permitted Intellectual Property Liens**").

Any Lien that is granted to secure the Notes or the applicable Guarantee pursuant to the preceding paragraph shall be automatically and unconditionally released and discharged (i) at the same time as the release of the Initial Intellectual Property Lien to which it relates and (ii) as otherwise set forth under "*—Security—Release of Liens*".

With respect to any Lien securing Indebtedness for borrowed money 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.

For purposes of determining compliance with this covenant (x) a Lien need not be Incurred solely by reference to one category of Permitted Intellectual Property Liens described herein but may be Incurred under any combination of such categories (including in part under one such category and in part under any other such category) and (y) in the event that a Lien (or any portion thereof) meets the criteria of one or more of such categories of Permitted Intellectual Property Liens, the Issuer shall, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this covenant.

Reports

The Indenture will provide that so long as any Notes are outstanding, the Issuer will provide to the Trustee a copy of all of the information and reports referred to below:

(1) within 120 days after the end of each fiscal year beginning with the first fiscal year ending after the Issue Date, annual reports containing, to the extent applicable: (i) an operating and financial review of the audited financial statements, including a discussion of the results of operation, financial condition, consolidated EBITDA and liquidity and capital resources; (ii) unaudited *pro forma* income statement and balance sheet information of the Issuer (which, for the avoidance of doubt, shall not include provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions (excluding, for the avoidance of doubt, the Acquisition), dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates unless such *pro forma*

information has been provided in a previous report pursuant to clauses (2) or (3) of this covenant; *provided* that, such *pro forma* financial information will be provided only to the extent available without unreasonable expense or burden, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials; (iii) the audited consolidated balance sheet of the Issuer as at the end of the most recent fiscal year and audited consolidated income statements and statements of cash flow of the Issuer for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years and the report of the independent auditors on the financial statements; (iv) description of the business, management and shareholders of the Issuer, all material affiliate transactions, and a description of all material debt instruments; and (v) description of material operational risk factors and material subsequent events;

(2) within 60 days following the end of the Issuer's first, second and third fiscal quarters of each fiscal year, quarterly financial statements of the Issuer containing the following information: (i) the Issuer's unaudited condensed consolidated balance sheet as at the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year to date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; (ii) unaudited *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions (excluding, for the avoidance of doubt, the Acquisition), dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates unless such *pro forma* information has been provided in a previous report pursuant to clauses (1) or (3) of this covenant; *provided* that, such *pro forma* financial information will be provided only to the extent available without unreasonable expense or burden, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials; (iii) an operating and financial review of the unaudited financial statements; and

(3) promptly after the occurrence of a material event that the Issuer announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the Issuer and the Restricted Subsidiaries, taken as a whole, or a senior executive officer or director changes at the Issuer or the parent of the Issuer responsible for the management of the Issuer and its Restricted Subsidiaries or a change in auditors of the Issuer, a report containing a description of such event;

provided, however, that any reports provided under clauses (1), (2) and (3) above delivered to the Trustee via e-mail or other electronic means shall be deemed to have been "furnished" to the Trustee in accordance with the terms of this paragraph.

In addition, the Issuer shall furnish to the holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Notes are not freely transferable under the Exchange Act by persons who are not "affiliates" under the Securities Act.

The Issuer shall also make available to holders and prospective holders of the Notes copies of all reports furnished to the Trustee on the Issuer's website and if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market thereof and to the extent that the rules and regulations of the Luxembourg Stock Exchange so require, by posting such reports on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

All financial statement information shall be prepared in accordance 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, except as may otherwise be described in such information; *provided*, *however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. No report need include separate financial statements for any Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. generally accepted accounting principles.

Subject to the next succeeding paragraph, in the event that, and for so long as, the equity securities of the Issuer or any direct or indirect parent or IPO Entity are listed on a Recognized Stock Exchange and the Issuer or such Parent or IPO Entity is subject to the admission and disclosure standards applicable to issuers of equity securities admitted to trading on such Recognized Stock Exchange, for so long as it elects, the Issuer will make available to the holders such annual reports, information, documents and other reports that the Issuer or such direct or indirect parent or IPO Entity is, or would be, required to file with such Recognized Stock Exchange pursuant to such admission and disclosure standards. Upon complying with the foregoing requirements, and provided, that such requirements require the Issuer or any direct or indirect parent or IPO Entity to prepare and file annual reports, information, documents and other reports with the Recognized Stock Exchange, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs; *provided further*, that if such Recognized Stock Exchange does not require the Issuer or any direct or indirect parent of the Issuer or IPO Entity to (a) prepare and file reports with such Recognized Stock Exchange or (b) disclose Consolidated EBITDA, in each case, on a quarterly basis, the Issuer shall additionally provide the reports set forth in clause (2) of the first paragraph above and disclose Consolidated EBITDA on a quarterly basis.

Notwithstanding the foregoing, the Issuer may satisfy its obligations under clauses (1), (2) and (3) of this covenant by delivering the corresponding consolidated annual, quarterly and *ad hoc* reports of (i) any direct or indirect parent company or (ii) Flos S.p.A, B&B Italia S.p.A. and Danish HoldCo. To the extent that material differences exist between the management, business, assets, shareholding or results of operations or financial condition of the Issuer and (i) any direct or indirect parent company or (i) Flos S.p.A, B&B Italia and Danish HoldCo, as the case may be, that is or are the reporting entity or entities (if applicable), the annual, quarterly and *ad hoc* reports shall include an explanation and an unaudited reconciliation of such material differences.

At any time that any of the Issuer's subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of the Issuer, then the quarterly and annual financial information required by the first paragraph of this "*—Reports*" covenant will include (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, together with an unaudited reconciliation to the financial information of the Issuer and its subsidiaries, which reconciliation shall include the following items: revenues, consolidated EBITDA, net income, cash, total assets, total debt, shareholder equity, capital expenditures and interest expense.

Notwithstanding the foregoing, the Issuer will be deemed to have provided such information to the Trustee, the holders of the Notes and prospective holders of the Notes if such information referenced in clauses (1), (2) or (3) of this covenant (i) has been posted to the Issuer's website or (ii) made publicly available through substantially comparable means (as determined by an Officer of the Issuer in good faith) (it being understood that, without limitation, making such reports available on Bloomberg or another private electronic information service will constitute substantially comparable public availability).

All reports provided pursuant to this "*—Reports*" covenant shall be made in the English language. If the due date for any report set forth in clauses (1) and (2) above is not a Business Day, the Issuer or other reporting entity permitted under this covenant will be entitled to provide such report on the next succeeding Business Day.

In the event that (i) the Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC or (ii) the Issuer elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

Delivery of any information, documents and reports to the Trustee pursuant to this "Reports" covenant is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein, including the Issuer's compliance with any of its covenants under the Indenture.

Future Guarantors

If, on or after the Issue Date, (a) any Restricted Subsidiary of the Issuer that is not then a Guarantor guarantees or Incurs any Indebtedness under the Revolving Credit Facility Agreement or guarantees any capital markets Indebtedness with an aggregate principal amount in excess of €75 million ("**Certain Capital Markets Debt**") of the Issuer or any of its Restricted Subsidiaries or Incurs Certain Capital Markets Debt or (b) the Issuer otherwise elects to have any Restricted Subsidiary of the Issuer become a Guarantor, then, in each such case, the Issuer shall cause such Restricted Subsidiary to execute and deliver to the Trustee a supplemental indenture pursuant to which such Restricted Subsidiary shall become a Guarantor under the Indenture providing for a Guarantee by such Restricted Subsidiary on the same terms and conditions as those set forth in the Indenture and applicable to the other Guarantors; *provided* that, in the case of clause (a), such supplemental indenture shall be executed and delivered to the Trustee within 20 Business Days of the date that such Indebtedness under the Revolving Credit Facility Agreement or such Certain Capital Markets Debt has been guaranteed or Incurred by such Restricted Subsidiary; *provided*, *however*, that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such 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 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 Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary to reflect the foregoing.

Each Guarantee will be limited as necessary to reflect limitations under local law in the applicable jurisdiction and defenses generally available to guarantors in such jurisdiction (including those relating to fraudulent conveyance, fraudulent transfer, voidable preference, financial assistance, corporate purpose, corporate benefit, capital maintenance and similar laws, regulations and defenses affecting the rights of creditors generally) or other considerations under applicable law. This includes limiting Guarantees to an amount not to exceed the maximum amount that can be guaranteed by that Restricted Subsidiary without rendering the Guarantee, as it relates to such Restricted Subsidiary, voidable under applicable law. However, such limitations may not be effective under local law. See *"—Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations"* and *"Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral—The Notes Guarantees and the Collateral will be subject to certain limitation on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability".*

Each Guarantee shall be released upon the terms and in accordance with the provisions of the Indenture described under "*—Guarantees*".

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory or other legal limitations or requirements, financial assistance, corporate benefit, fraudulent preference, "thin capitalization" rules, retention of title claims and similar principles. By virtue of such limitations, a Guarantor's obligation under its Guarantee will be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. The validity and enforceability of the 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*" and "*—Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations*" in the Offering Memorandum.

Further Assurances

Subject to the Agreed Security Principles, the Issuer shall use commercially reasonable efforts to: (i) (a) cause each of the Initial Guarantors to become Guarantors within 20 Business Days following the Issue Date and (b) cause each of the U.S. Guarantors to become Guarantors within 90 days following the Completion Date, in each case limited as necessary to reflect limitations under local law in the applicable jurisdiction and defenses generally available to guarantors in such jurisdiction (including those relating to fraudulent conveyance, fraudulent transfer, voidable preference, financial assistance, corporate purpose, corporate benefit, capital maintenance, "thin capitalization" rules and similar laws, regulations and defenses affecting the rights of creditors generally) or other considerations under applicable law, and (ii) enter or cause the entry into the relevant Security Documents to effect (a) the Initial Collateral within five Business Days following the Issue Date, (b) the Post Issue Date Collateral within 20 Business Days following the Issue Date and (c) the Post Completion Date Collateral within 90 days following the Completion Date.

In addition, none of the Issuer, B&B Italia S.p.A., Flos S.p.A. and Danish Holdco, as applicable, may amend any Intercompany Loan in a manner materially adverse to the holders (as determined in good faith by the Issuer).

Impairment of Security Interest

Each of Holdco 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 Collateral (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 Collateral) for the benefit of the Trustee and the holders, and Holdco and the Issuer shall not, and Holdco 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 Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral, except that (i) Holdco and the Issuer and the Restricted Subsidiaries may amend, extend, renew, restate, supplement, release or otherwise modify or replace any Security Documents for the purposes of Incurring Permitted Collateral Liens, (ii) Holdco and the Issuer and the Restricted Subsidiaries may amend, extend, renew, restate, supplement, release or otherwise modify or replace any Security Documents for the purposes of undertaking a Permitted Reorganization or a transaction not prohibited by the covenant set forth under "*—Merger, Consolidation, Amalgamation or Sale of all or Substantially all Assets*", (iii) the Collateral may be discharged and released in accordance with the Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement, (iv) the applicable Security Documents may be amended from time to time to cure any ambiguity, mistake, omission, defect, error or inconsistency therein and (v) Holdco and Issuer and the Restricted Subsidiaries may amend the Security Interests in any manner that does not adversely affect holders in any material respect; *provided*, *however*, that in the case of clause (i), (ii) or (v) above, the Security Documents may not be amended, extended, renewed, restated, supplemented, released or otherwise modified or replaced, unless contemporaneously with any such action, the Issuer delivers to the Trustee, either (a) a solvency opinion, in form and substance reasonably satisfactory to the Trustee from an Independent Financial Advisor confirming the solvency of Holdco and the Issuer and its Subsidiaries, taken as a whole (as applicable), after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (b) a certificate from the Board of Directors of the relevant Person, in form and substance reasonably satisfactory to the Trustee, which confirms the solvency of the Issuer or the relevant Person granting such Security Interest, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (c) 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 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 complies with the requirements of this covenant, each of the Trustee and the Security Agent shall (subject to each of the Trustee and the Security Agent being indemnified and secured to its satisfaction) consent to such amendments without the need for instructions from the holders.

Additional Intercreditor Agreements

The Indenture will provide that, at the request of the Issuer, in connection with the Incurrence by the Issuer or its Restricted Subsidiaries of any (x) Indebtedness permitted pursuant to the first paragraph of the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" or clauses (a), (c) (other than with respect to Capitalized Lease Obligations), (i), (k), (l), (n), (q) or (cc) of the second paragraph of the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" and (y) any refinancing Indebtedness in respect of the 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), including containing substantially the same terms with respect to release of Guarantees and priority and release of the Security Interests; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities, indemnifications or immunities of the Trustee or Security Agent under the Indenture or the Intercreditor Agreement.

The Indenture also will 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 any Intercreditor Agreement or any Additional Intercreditor Agreement or any Security Document to: (1) cure any ambiguity, omission, defect 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), (3) add a co-issuer or Restricted Subsidiaries to the Intercreditor

Agreement or an Additional Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes, (6) implement any Permitted Liens, Permitted Intellectual Property Liens or Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the holders in any material respect. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without 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*" or as permitted by the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, 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 opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities, indemnifications or immunities under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture shall 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 thereby; *provided*, *however*, that such transaction would comply with the covenant described under "*—Limitation on Restricted Payments*".

The Indenture also will provide that 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. A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at our offices.

Merger, Consolidation, Amalgamation or Sale of all or Substantially all Assets

The Issuer

The Indenture will provide that the Issuer may not consolidate, merge or amalgamate with or into or wind up into (whether or not such Issuer is the surviving Person), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries (taken as a whole) in one or more related transactions, to any Person unless:

(1) the Issuer is the surviving Person or the Person formed by or surviving any such consolidation, merger, amalgamation or winding up (if other than the Issuer) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made is (or is the foreign analog of) a corporation, partnership, limited partnership, limited liability company or trust organized or existing under the laws of the United States, any state or territory thereof or the District of Columbia, the laws of Canada or any province of Canada, Norway, Switzerland or any member country of the European Union (as it is constituted on the Existing Notes Issue Date) (the Issuer or such Person, as the case may be, being herein called the "**Successor Company**");

(2) the Successor Company (if other than such Issuer) expressly assumes all the obligations of the Issuer (a) under the Indenture and the Notes pursuant to supplemental indentures or other documents or instruments and (b) under the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Documents, as applicable;

(3) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any of its Restricted Subsidiaries as a

result of such transaction as having been Incurred by the Successor Company or such Restricted Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(4) immediately after giving effect to such transaction on a Pro Forma Basis, as if such transaction had occurred at the beginning of the applicable four-quarter period, either:

(a) the Issuer (or a Successor Company to the Issuer, if applicable) would be permitted to Incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio contained in the first paragraph of the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*"; or

(b) the Fixed Charge Coverage Ratio for the Issuer (or a Successor Company to the Issuer, if applicable) and its Restricted Subsidiaries would be equal to or greater than such ratio for the Issuer and its Restricted Subsidiaries immediately prior to such transaction;

(5) each Guarantor, unless it is the other party to the transactions described above, shall have by supplemental indenture confirmed that its Guarantee shall apply to such Person's Obligations under the Indenture and the Notes; and

(6) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger, amalgamation or transfer and such supplemental indentures (if any) comply with the Indenture; *provided* that, in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

The Successor Company (if other than the Issuer) will succeed to, and be substituted for, the Issuer under the Indenture, the Notes, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable, and the Issuer will automatically be released and discharged from its obligations under the Indenture and the Notes. Notwithstanding the foregoing clauses (3) and (4), (a) the Issuer may consolidate or amalgamate with, merge into or sell, assign, transfer, lease, convey or otherwise dispose of all or part of its properties and assets to any Guarantor, (b) the Issuer may merge, consolidate or amalgamate with an Affiliate of the Issuer solely for the purpose of reincorporating or reorganizing the Issuer in another state of the United States, any state or territory thereof or the District of Columbia, Canada or any province of Canada, Norway, Switzerland or in any member country of the European Union (as it is constituted on the Existing Notes Issue Date) so long as the principal amount of Indebtedness of the Issuer and its Restricted Subsidiaries is not increased thereby (unless such increase is permitted by the Indenture), (c) the Issuer may change legal form, (d) the Issuer or any Guarantor may change its name, (e) any Restricted Subsidiary may merge, amalgamate or consolidate with the Issuer; *provided* that the Issuer is the Successor Company in such merger, amalgamation or consolidation and (f) the Issuer may enter into a Permitted Reorganization.

The Guarantors

The Indenture will further provide that subject to certain provisions in the Indenture governing release of a Guarantee upon the sale or disposition of a Restricted Subsidiary that is a Guarantor, each Guarantor will not, and the Issuer will not permit any Guarantor to, consolidate, merge or amalgamate with or into or wind up into (whether or not such Guarantor is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions to, any Person (other than in connection with the Transactions) unless:

(1) (a) such Guarantor is the surviving Person or the Person formed by or surviving any such consolidation, merger, amalgamation or winding up (if other than such Guarantor) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made is a corporation, partnership, limited partnership or limited liability company or trust, or the foreign analog of any of the foregoing entities, organized or existing under the laws of the jurisdiction of organization of such Guarantor or the laws of the United States, any

state or territory thereof or the District of Columbia or the laws of Canada or any province of Canada, Norway, Switzerland or any member country of the European Union (as it is constituted on the Existing Notes Issue Date) or the laws of any other jurisdiction so long as a Guarantee provided by such surviving Person under the laws of such jurisdiction is substantially equivalent to the Guarantee provided under the laws of the jurisdiction of formation of the predecessor Guarantor (such Guarantor or such Person, as the case may be, being herein called the "**Successor Guarantor**");

(a) the Successor Guarantor (if other than such Guarantor) expressly assumes all the obligations of such Guarantor under the Indenture, the Security Documents (as applicable), the Intercreditor Agreement and any Additional Intercreditor Agreement and such Guarantor's Guarantee pursuant to a supplemental indenture or other documents or instruments;

(b) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Guarantor or any of its Restricted Subsidiaries as a result of such transaction as having been Incurred by the Successor Guarantor or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing; and

(c) the Successor Guarantor (if other than such Guarantor) shall have delivered or caused to be delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger, amalgamation or transfer and such supplemental indenture (if any) comply with the Indenture; or

(2) such sale or disposition or consolidation, amalgamation or merger is made in compliance with the covenant described under "*—Asset Sales*" to the extent applicable on the date of the subject transaction,

provided, however, that the prohibitions contained in the first paragraph of the covenant described under "*—Merger, Consolidation, Amalgamation or Sale of all or Substantially all Assets—The Guarantors*" shall not apply to the extent that compliance with paragraphs (1)(a) and (1)(b) could give rise to or result in: (i) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (ii) 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 (iii) any cost, expense, liability or obligation (including with respect to any taxes) other than reasonable out of pocket expenses.

Subject to certain limitations described in the Indenture, the Successor Guarantor will succeed to, and be substituted for, such Guarantor under the Indenture, the Security Documents (as applicable), the Intercreditor Agreement and any Additional Intercreditor Agreement and such Guarantor's Guarantee, and such Guarantor will automatically be released and discharged from its obligations under the Indenture, the Security Documents (as applicable), the Intercreditor Agreement and any Additional Intercreditor Agreement and such Guarantor's Guarantee. Notwithstanding the foregoing, (1) a Guarantor may merge, consolidate or amalgamate with an Affiliate of the Issuer incorporated or organized solely for the purpose of reincorporating or reorganizing such Guarantor in the United States, any state or territory thereof or the District of Columbia, Canada or any province of Canada, Norway, Switzerland or in any member country of the European Union (as it is constituted on the Existing Notes Issue Date), so long as the principal amount of Indebtedness of the Issuer and the Restricted Subsidiaries is not increased thereby (unless such increase is permitted by the Indenture), (2) a Guarantor may (a) consolidate, merge or amalgamate with or into or wind up into, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties and assets to, the Issuer or a Guarantor or (b) dissolve if such Guarantor sells, assigns, transfers, leases, conveys or otherwise disposes of all or substantially all of its properties and assets to another Person in compliance with the covenant described under "*—Asset Sales*" and after giving effect on a Pro Forma Basis to such sale, assignment, transfer, lease, conveyance or disposition and prior to such dissolution, has no or a *de minimis* amount of assets, (3) a Guarantor may change legal form under the laws of the jurisdiction of organization of such Guarantor or the laws of the United States, any state or territory thereof or the District of Columbia or the laws of Canada or any province of Canada, Norway, Switzerland or any member country of the European Union (as it is constituted on the Existing Notes Issue Date) or the laws of any other jurisdiction so long as a Guarantee provided under the laws of such jurisdiction is substantially equivalent to the Guarantee provided under the laws of the jurisdiction of formation of such Guarantor prior to such conversion, (4) a Guarantor may change its name, (5) any Restricted Subsidiary may merge, amalgamate or consolidate into any Guarantor; *provided*, in the case of this clause (5), that the surviving Person (i) is a corporation, partnership, limited partnership or limited liability company or trust, or the foreign analog of any of the foregoing entities, organized or existing under the laws of the United States, any state or territory thereof or the District of Columbia or the laws of Canada or any province of Canada, Norway, Switzerland or any member country of the European Union (as it is constituted on the Existing Notes Issue Date) or the laws of any other jurisdiction so long as a Guarantee provided by such surviving Person under the laws of such jurisdiction is substantially equivalent to the Guarantee provided under the laws of the jurisdiction of formation of the predecessor Guarantor or the laws of the jurisdiction of organization of such Restricted Subsidiary or Guarantor and (ii) is or becomes a Guarantor upon consummation of such merger, amalgamation or consolidation and (6) any Guarantor may enter into a Permitted Reorganization.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

Defaults

An Event of Default with respect to the Notes will be defined in the Indenture as:

(1) a default in any payment of interest on any Note when due, continued for 30 days;

(2) a default in the payment of principal or premium, if any, on any Note when due at its Stated Maturity, upon optional redemption, upon required purchase, upon acceleration or otherwise;

(3) the failure by the Issuer or any Restricted Subsidiary or, solely in connection with the covenant described under "*Certain Covenants—Impairment of Security Interests*", Holdco, to comply for 60 days after receipt of written notice referred to below with any of its obligations, covenants or agreements (other than a default referred to in clause (1) or (2) above) contained the Notes or the Indenture; *provided* that in the case of a failure to comply with the Indenture provisions described under "*—Certain Covenants—Reports,*" such period of continuance of such default or breach shall be 120 days after written notice described in this clause (3) has been given;

(4) (x) the failure by the Issuer or any Restricted Subsidiary to pay the principal amount of any Indebtedness for borrowed money (other than Indebtedness for borrowed money owing to the Issuer or a Restricted Subsidiary) within any applicable grace period after final maturity or (y) the acceleration of any Indebtedness for borrowed money by the Issuer or Restricted Subsidiary (or the payment of which is guaranteed by the Issuer or any Restricted Subsidiary) (other than Indebtedness for borrowed money owing to the Issuer or a Restricted Subsidiary) by the holders thereof because of a default, in each case of clauses (x) and (y), if the total amount of such Indebtedness unpaid at final maturity or accelerated exceeds €30 million or its foreign currency equivalent;

(5) certain events of bankruptcy or insolvency of Holdco, the Issuer or a Significant Subsidiary;

(6) failure by the Issuer or any Significant Subsidiary to pay final and non-appealable judgment or judgments aggregating in excess of €30 million or its foreign currency equivalent (net of any amounts which are covered by enforceable insurance policies issued by solvent insurance companies), which judgment or judgments are not discharged, waived or stayed for a period of 60 days after such judgment or judgments become final and, in the event such judgment or judgments are covered by insurance, an enforcement proceeding has been commenced by any creditor upon such judgment or judgments or decree which is not promptly stayed;

(7) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture and except through the gross negligence or willful misconduct of the Trustee or Security Agent) with respect to Collateral having a fair market value in excess of €25 million 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 Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable or the Issuer shall assert in writing that any such security interest is invalid or unenforceable, and (in each case) any such Default continues for 10 days; or

(8) the Guarantee of a Significant Subsidiary ceases to be in full force and effect (except as contemplated by the terms thereof or of the Indenture), or any Guarantor that is a Significant Subsidiary denies in writing that it has any further liability under its Guarantee or gives written notice to such effect, other than by reason of the termination or discharge of the Indenture or the release of any such Guarantee in accordance with the Indenture and such Default continues for ten days.

The foregoing will constitute Events of Default whatever the reason for any such Event of Default and whether it is voluntary or involuntary or is effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body.

However, a default under clause (3), (4) or (6) of the first paragraph above will not constitute an Event of Default until the Trustee or the holders of at least 30% in principal amount of the outstanding Notes notify in writing the Issuer of the Default and such Default is not cured within the time specified in such clauses after receipt of such notice.

If an Event of Default (other than an Event of Default relating to certain events of bankruptcy or insolvency of the Issuer) occurs and is continuing with respect to the Notes, the Trustee or the holders of at least 30% in principal amount of outstanding Notes by written notice to the Issuer (and to the Trustee, if given by holders of the Notes) may declare the principal of, premium, if any, and accrued but unpaid interest, on all Notes outstanding to be due and payable. Upon such a declaration, such principal, premium, if any, and interest will be due and payable immediately. If an Event of Default relating to certain events of bankruptcy or insolvency of the Issuer occurs, the principal of, premium, if any, and interest on all the outstanding Notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any holders. Under certain circumstances, the holders of a majority in principal amount of the outstanding Notes may rescind any such acceleration and its consequences. Please see "*Risk Factors—Risks Related to the Notes*".

The holders of a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may, on behalf of the holders of all of the Notes, (i) waive, rescind or cancel any declaration of an existing or past Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest or premium on, or the principal of, the Notes (other than such non-payment of principal or interest that has become due as a result of such acceleration) or (ii) subject to "*—Amendments and Waivers*", waive compliance with any provision of the Indenture, the Notes or the Guarantees if, in each case of clauses (i) and (ii), if such waiver, rescission or cancellation would not conflict with any judgment or decree. Upon any such waiver of a Default or an Event of Default effected pursuant to clause (i) of the previous sentence, such Default or Event of Default shall cease to exist and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of the Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

In the event of any Event of Default specified in clause (4) of the first paragraph above, such Event of Default and all consequences thereof will be annulled, waived and rescinded, automatically and without any action by the Trustee or the holders of the Notes, if prior to 30 days after such Event of Default arose (x) the Indebtedness or guarantee that is the basis for such Event of Default has been discharged or (y) the requisite amount of holders thereof have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default or (z) the default that is the basis for such Event of Default has otherwise been cured.

In case an Event of Default occurs and is continuing, 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 indemnity and/or security satisfactory to it against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium (if any) 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;

(2) holders of at least 30% of the aggregate principal amount of the outstanding Notes have requested in writing the Trustee to pursue the remedy;

(3) such holders have offered the Trustee security and/or indemnity satisfactory to it in respect of any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security and/or indemnity; and

(5) the holders of a majority in principal amount of the outstanding Notes have not given the Trustee a written direction 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 Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to security and/or indemnification satisfactory to it in its sole discretion against all losses, liabilities and expenses that may be caused by taking or not taking such action.

The Indenture will provide that if a Default occurs and is continuing and is actually known to the Trustee, the Trustee must deliver to each holder of the Notes notice of the Default within 90 days after it is known to the Trustee. Except in the case of a Default in the payment of principal of, 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 of the Notes. In addition, the Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year (starting with the fiscal year ending after the Issue Date), a certificate regarding compliance with the Indenture. Upon any Officer of the Issuer becoming aware of any Default or Event of Default, the Issuer also is required to deliver to the Trustee, within 30 days after such Officer becoming aware of such Default or Event of Default (unless such Default or Event of Default has been cured or waived within such 30-day time period), an Officer's Certificate specifying such Default or Event of Default and what action the Issuer is taking or proposes to take with respect thereto.

Amendments and Waivers

Subject to certain exceptions and subject to compliance with the provisions described in "*—Meetings of Holders of Notes*" below, 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, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for the Notes) and, subject to certain exceptions, any existing or past Default or compliance with any provisions of such documents may be waived with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for the Notes). However, without the consent of holders holding not less than 75% of the then outstanding principal amount of the Notes, an amendment, supplement or waiver may not, with respect to any Notes held by a non-consenting holder:

(1) reduce the percentage of the aggregate principal amount of Notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the rate of or extend the time for payment of interest or Additional Amounts, if any, on any Note;

(3) reduce the principal of or change the Stated Maturity of any Note;

(4) waive a Default or Event of Default in the payment of principal of or premium, if any, or interest on the Notes, except a rescission of acceleration of the Notes with respect to a non-payment default by the holders of at least a majority in aggregate principal amount of the Notes and a waiver of the payment default that resulted from such acceleration;

(5) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed as described under "*—Optional Redemption*" (other than, in each case, any change to the notice periods with respect to such redemptions) or "*—Redemption for Taxation Reasons*";

(6) make any Note payable in money other than that stated in such Note;

(7) impair the right of any holder of Notes to institute suit for the enforcement of any payment on or with respect to such holder's Notes;

(8) make any change in the provisions of the Indenture relating to waivers of past Defaults or Events of Default or the rights of holders to receive payments of principal of or premium, if any, or interest on the Notes;

(9) make the Notes or any Guarantee subordinated in right of payment to any other obligations;

(10) release any security interests granted for the benefit of the holders in the Collateral other than in accordance with the terms of the Intercreditor Agreement, any applicable Additional Intercreditor Agreement, the Indenture or the applicable Security Documents;

(11) release any Guarantor from any of its obligations under its Guarantee or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor agreement; or

(12) make any change in the amendment or waiver provisions of the Indenture that require the holder's consent as described in clauses (1) through (11) of this sentence;

A Note does not cease to be outstanding because the Issuer or any Affiliate of the Issuer 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 or any Affiliate of the Issuer shall be disregarded and deemed not to be outstanding if such ownership is known by a Trust Officer.

Without the consent of any holder of Notes, the Issuer, any Guarantor (with respect to a Guarantee or the Indenture to which it is a party), 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 or inconsistency,

(2) conform the text of the Indenture (including any supplemental indenture or other instrument pursuant to which Additional Notes are issued), the Guarantees, the Notes or the Security Documents to this "Description of Notes" or, with respect to any Additional Notes and any supplemental indenture or other instrument pursuant to which such Additional Notes are issued, to the "Description of Notes" relating to the issuance of such Additional Notes solely to the extent that such "Description of Notes" provides for terms of such Additional Notes that differ from the terms of the initial Notes, as contemplated by "*—General*" above,

(3) comply with the covenant relating to mergers, amalgamations, consolidations and sales of assets,

(4) provide for the assumption by a successor Person of the obligations of the Issuer or any Guarantor under the Indenture and the Notes or Guarantee, as the case may be,

(5) provide for uncertificated Notes in addition to or in place of certificated Notes; *provided* that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code,

(6) (A) add or release Guarantees in accordance with the terms of the Indenture or (B) add a co-issuer of the Notes to the extent it does not result in adverse tax consequences to the holders,

(7) add to the covenants of the Issuer for the benefit of the holders or to surrender any right or power conferred upon the Issuer or any Restricted Subsidiary,

(8) make any change that does not adversely affect the rights of any holder in any material respect,

(9) make any amendment to the provisions of the Indenture relating to the transfer and legending of the Notes as permitted by the Indenture, including, without limitation, to facilitate the issuance and administration of the 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 applicable securities law and (ii) such amendment does not materially and adversely affect the rights of holders to transfer Notes,

(10) evidence and provide for the acceptance of appointment by a successor Trustee; *provided* that the successor Trustee is otherwise qualified and eligible to act as such under the terms of the Indenture,

(11) provide for or confirm the issuance of Additional Notes in accordance with the Indenture,

(12) to evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Notes Document,

(13) in the case of the 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 Credit Facility or holders of the Existing Notes, in any property which is required by the Security Documents or the Revolving Credit 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 Collateral 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, or

(14) as provided in "*Certain Covenants—Additional Intercreditor Agreements*".

In formulating its decision on such matters, the Trustee shall be entitled to require and rely absolutely on such evidence as it deems necessary, including Officer's Certificates and Opinion of Counsel.

The consent of the holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. For the avoidance of doubt, no amendment to, or deletion of "*—Change of Control*" or any of the covenants described under "*—Certain Covenants*" shall be deemed to impair or affect any rights of holders of the Notes to receive payment of principal of, or premium, if any, or interest on, the Notes.

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish notice of any amendment, supplement and waiver in Luxembourg on the website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange. Such notice of any amendment, supplement and waiver may also be published in a daily newspaper with general circulation in Luxembourg or by other methods considered as equivalent by the Luxembourg Stock Exchange.

Acts by Holders

In determining whether the holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Issuer or by any Person directly or indirectly controlling, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding.

Meeting of Holders of Notes

All meetings of holders of the Notes (or each series of Notes, if applicable) will be held in accordance with Italian applicable laws and regulations.

In addition to and without prejudice to the provisions described above under the caption "*—Amendments and Waivers*", in accordance with the provisions set forth under the Italian Civil Code, 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 or abrogation by extraordinary resolution of any provisions of the Notes or the Indenture. A meeting may be convened either (i) by the Board of Directors of the Issuer, (ii) by the Noteholders' Representative (as defined below) or (iii) upon request by holders of at least 5.0% of the aggregate principal amount of the outstanding Notes.

In accordance with the Italian Civil Code, the vote required to pass a resolution by a meeting of the holders of Notes will be (i) in the case of the first meeting, one or more persons that hold or represent holders of more than one half of the aggregate principal amount of the outstanding Notes, and (ii) in the case of the second and any further adjourned meeting, one or more persons that hold or represent holders of at least two-thirds of the aggregate principal amount of the Notes so present or represented at such meeting. Any such second or further adjourned meeting will be validly held if there are one or more persons present that hold or represent holders of more than one-third of the aggregate principal amount of the outstanding Notes; *provided,* *however*, that the Issuer's bylaws may provide for a higher quorum (to the extent permitted under Italian law). 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 economic 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 not less than 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 Article 2415 of the Italian Civil Code to pass an extraordinary resolution with respect to such matters from 50% to 75% of the aggregate principal amount of the outstanding Notes. See *"Risk Factors—Risks related to the Notes and the Collateral—The Issuer may amend the economic terms and conditions of the Notes without the prior consent of all noteholders with the vote of either 75% or 50% 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 2377 and 2379 of the Italian Civil Code.

The Indenture will provide that the provisions described under this "*—Meeting of Holders of Notes*" 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 "*—Meeting of Holders of Notes*" must also comply with the other provisions described under "*—Amendments and Waivers*".

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 UniCredit S.p.A., as representative (*rappresentante*) pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code (the "**Security Representative**") 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 UniCredit S.p.A. 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 represent the interests of the holders of 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. 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 Law Debenture Trust Corporation plc as the Noteholders' Representative. 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 Court where the Issuer has its registered office 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.

No Personal Liability of Managers, Directors, Officers, Employees and Stockholders

No manager, managing director, director, officer, employee, incorporator or holder of any equity interests in the Issuer, Holdco, any Subsidiary or any direct or indirect parent of the Issuer, as such, will have any liability for any obligations of the Issuer or any Guarantor under the Notes or the Indenture or any Guarantee or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of the Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The 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.

Transfer and Exchange

A noteholder may transfer or exchange Notes in accordance with the Indenture. Upon any transfer or exchange, the registrar and the Trustee may require a noteholder, among other things, to furnish appropriate endorsements or transfer documents and the Issuer may require a noteholder to pay any taxes required by law or permitted by the Indenture. The registrar will not be required to transfer or exchange any Note selected for redemption (except in the case of a Note to be redeemed in part, the portion of such Note not to be redeemed) or to transfer or exchange any Note for a period of 15 days prior to a selection of Notes to be redeemed or tendered and not withdrawn or in connection with a Change of Control Offer or an Asset Sale Offer. The Notes will be issued in registered form and the registered holder of a Note will be treated as the owner of such Note for all purposes.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the holders of the Notes under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents, will be discharged and will cease to be of further effect and any collateral then securing the Notes shall be released (except as to surviving rights of conversion, transfer or exchange of Notes, as expressly provided for in the Indenture) as to all outstanding Notes when:

(1) either (a) all the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust) have been delivered to the Trustee for cancellation or (b) all of the 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) have been called for redemption or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of a full redemption by the Trustee or Paying Agent in the name, and at the expense, of the Issuer, and the Issuer or any Guarantor have deposited or caused to be deposited in a manner that is not revocable by the Issuer or any of its Affiliates with the Trustee or paying agent money or European Government Obligations in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not theretofore delivered to the Trustee for cancellation, for principal of, premium, if any, and interest on the Notes to the date of maturity or redemption, as the case may be, together with irrevocable instructions from the Issuer directing the Trustee or paying agent to apply such funds to the payment thereof at maturity or redemption, as the case may be;

(2) the Issuer and/or the Guarantors have paid all other sums then due and payable under the Indenture; and

(3) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

Defeasance

The Issuer at any time may terminate all its obligations under the Notes and the Indenture and have each Guarantor's obligation discharged with respect to its Guarantee ("**legal defeasance**") and cure all then-existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust (as defined below) and obligations to register the transfer or exchange of the Notes and certain rights of the Trustee, to replace mutilated, destroyed, lost or stolen Notes and to maintain a registrar and paying agent in respect of the Notes. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the rights of the Trustee and the holders of Notes 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 its obligations and those of each Guarantor under certain covenants that are described in the Indenture, including the covenants described under "*—Certain Covenants*", the operation of the cross acceleration provision, the bankruptcy provisions with respect to Significant Subsidiaries, the judgment default provision described under "*—Defaults*" and the undertakings and covenants contained under "*—Change of Control*" and "*—Certain Covenants—Merger, Consolidation, Amalgamation or Sale of all or Substantially all Assets*" (other than clauses (1), (2) and (6) of the first paragraph and clause (1)(d) of the third paragraph thereof) ("**covenant defeasance**"). If the Issuer exercises its legal defeasance option or its covenant defeasance option, each Guarantor will be released from all of its obligations with respect to its Guarantee.

The Issuer 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 thereto. If the Issuer exercises its covenant defeasance option, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (with respect to any Default by the Issuer or any of its Restricted Subsidiaries with any of their obligations under the covenants described under *"—Certain Covenants", (4), (5), (6) or (7) under "—Defaults*".

In order to exercise either defeasance option with respect to the Notes, the Issuer must irrevocably deposit or cause to be deposited (the **"defeasance trust"**) with the Paying Agent money or European Government Obligations, or a combination thereof (sufficient in the opinion of a nationally recognized certified public accounting firm) for the payment of principal, premium (if any) and interest on the Notes to redemption or maturity, as the case may be; *provided* that if such redemption is made pursuant to the provisions described in the second paragraph under "*—Optional Redemption*", then: (x) the amount of money or European Government Obligations, or a combination thereof, that the Issuer must irrevocably deposit or cause to be deposited will be determined using an assumed Applicable Premium calculated as of the date of such deposit, as calculated by the Issuer in good faith, and (y) the Issuer must irrevocably deposit or cause to be deposited additional money in trust on the redemption date as necessary to pay the Applicable Premium as determined on such date; *provided*, *further*, that the Issuer must comply with certain other conditions, including delivery to the Trustee of an Opinion of Counsel, subject to customary assumptions and exclusions, to the effect that holders of the Notes 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 amount 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 Internal Revenue Service or change in applicable U.S. federal income tax law after the Issue Date).

Financial Calculations

When calculating the availability under any basket or ratio under the Indenture in connection with any transaction (including, for the avoidance of doubt and without limitation, any Incurrence or assumption of Indebtedness or Liens, the making of any Investment, Restricted Payment or Restricted Payments permitted pursuant to any of clauses (1) through (24) of the covenant described under "*—Limitation on Restricted Payments*", any Asset Sale or other disposition, any acquisition, merger, consolidation, amalgamation or other business combination and any other transaction requiring the testing of any basket based on the Consolidated EBITDA of the Issuer), the date of determination of such basket or ratio and of any Default or Event of Default shall, at the option of the Issuer, be the date the definitive agreements for such transaction are entered into, and such baskets or ratios shall be calculated with such pro forma adjustments as are appropriate and consistent with the pro forma adjustment provisions set forth in the definition of "Pro Forma Basis" and "Consolidated EBITDA" after giving effect to such transaction and other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) as if they occurred at the beginning of the applicable period for purposes of determining the ability to consummate any such transaction, and, for the avoidance of doubt, (x) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in the Consolidated Net Income or Consolidated EBITDA of the Issuer or that arises from an asset or a target company subject to such transaction) subsequent to such date of determination and at or prior to the consummation of the relevant transaction, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the transaction is permitted hereunder and (y) such baskets or ratios shall not be tested at the time of consummation of such transaction or related transactions*; provided* that if the Issuer elects to have such determinations occur at the time of entry into such definitive agreement, any such transactions (including any Incurrence of Indebtedness and the use of proceeds therefrom) shall be deemed to have occurred on the date the definitive agreements are entered and outstanding thereafter for purposes of calculating any baskets or ratios under the Indenture after the date of such agreement and before the consummation of such transaction. To the extent the date of determination of a basket or ratio is tested prior to the date of consummation of a transaction, such basket or ratio shall be deemed utilized to the same extent until the earlier of the date of consummation of such transaction or the date such transaction is terminated or expires without consummation, except that in the case of an acquisition, merger or consolidation, any calculation of Consolidated EBITDA for purposes other than Incurrences of Indebtedness or Liens or the making of Restricted Payments (not related to such acquisition, merger or consolidation) shall not reflect such transaction until it has been consummated.

Notices

For so long as any of the Notes are listed on the Luxembourg Stock Exchange and 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*), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange. In addition, for so long as any Notes are represented by Global Notes, all notices to holders of the Notes will be delivered by or on behalf of the Issuer to Euroclear and Clearstream. Such notices may also be published in a daily newspaper with general circulation in Luxembourg (or if, in the opinion of the Issuer such publication is not practicable, in an English language newspaper having general circulation in Europe) or by other methods considered as equivalent by the Luxembourg Stock Exchange.

All notices to holders of the Notes will be validly given if mailed to them at their respective addresses in the register of holders, if any, maintained by the Registrar. In addition, for so long as any of the Notes are listed on the Luxembourg Stock Exchange and if and for so long as the rules of the Luxembourg Stock Exchange so require, the Issuer will notify the Luxembourg Stock Exchange of any notice with respect to the Notes.

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. For so long as any Notes are represented by Global Notes, all notices to holders of the Notes may be delivered via Euroclear, Clearstream or DTC, as applicable, in lieu of notice via registered mail.

Concerning the Trustee

The Law Debenture Trust Corporation p.l.c. 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 in accordance with the terms of the Indenture, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default of which a responsible officer of the Trustee has received written notice in accordance with the terms of the Indenture, 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 the Indenture will not be construed as an obligation or duty.

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 then 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, or (b) 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 loss, liability, taxes, expenses 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.

Prescription

Claims against the Issuer and the Guarantors for the payment of principal, or premium, if any, on the Notes will be prescribed 10 years after the applicable due date for payment thereof. Claims against the Issuer and the Guarantors for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Governing Law

The Indenture will provide that it and the Notes and the Guarantees will be governed by, and construed in accordance with, the laws of the State of New York. The Intercreditor Agreement and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of England and Wales.

Enforceability of Judgments

Since substantially all of the assets of the Issuer and Guarantors are outside the United States, any judgment obtained in the United States against the Issue or certain Guarantors, including judgments with respect to the payment of principal, premium, if any, interest, redemption price and any purchase price with respect to the Notes, may not be collectible within the United States.

See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes and the Guarantees, the Issuer and each Guarantor will in the Indenture (1) irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City, County and State of New York, United States and (2) consent that any such action or proceeding may be brought in such courts and waive any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agree not to plead or claim the same.

Currency Indemnity and Calculation of Euro-Denominated Restrictions

The euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors, if any, under or in connection with the Notes and the Guarantees, if any, 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 or any Guarantor or otherwise by any Holder or by the Trustee or 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 Paying Agent under any Note, the Issuer and the Guarantors, if any, will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors, if any, will indemnify the recipient or the Trustee on a joint or 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 or the Trustee or 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 or the Trustee or 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 Guarantee, or to the Trustee.

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 committed, Incurred or made, as the case may be.

Certain Definitions

"**Acquired Indebtedness**" means, with respect to any specified Person, Indebtedness (1) of any other Person existing at the time such other Person is merged, amalgamated or consolidated with or into or becomes a Restricted Subsidiary of such specified Person; or (2) assumed in connection with the acquisition of assets from such Person, in each case, whether or not such Indebtedness is Incurred in connection with, or in contemplation of, such other Person merging, amalgamating or consolidating with or into, or becoming a Restricted Subsidiary of such specified Person; and (3) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person. Subject to *"—Financial Calculations"*, Acquired Indebtedness shall be deemed to have been

Incurred, with respect to clause (1) and (3) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary or the date of the relevant merger, consolidation or other combination and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets.

"**Acquisition**" means the acquisition of all of the equity interests of the Target by the Group pursuant to the Acquisition Agreement by way of the merger of U.S. MergerCo with and into the Target, with the Target surviving the merger, as further described in this Offering Memorandum under "*Summary—The Transactions—The Acquisition*".

"**Acquisition Agreement**" means the agreement and plan of merger entered into on April 12, 2021 among, *inter alios*, the Issuer, U.S. BidCo, U.S. MergerCo, Alpine Management Services III, LLC (as representative of the several sellers), together with all exhibits and schedules thereto and as amended through the Completion Date, in respect of the acquisition of 100% of the equity interests of the Target, as further described under "*Summary—The Transactions—The Acquisition*".

"**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 purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

"**Agreed Security Principles**" means the agreed security principles appended to the Revolving Credit Facility Agreement, as of the Issue Date, as applied *mutatis mutandis* with respect to the Notes in good faith by the Issuer, *provided that*, for any purposes under the Indenture, the Agreed Security Principles shall not apply to exclude (a) the guarantee by U.S. BidCo or the Target or (b) the security on the share capital of U.S. Bidco or the Target, in each case solely as a result of U.S. Bidco or the Target not being wholly-owned subsidiaries of another member of the Group as a result of the Target's management owning shares in U.S. BidCo in the manner and for the purposes expressly referred to under "*Summary—The Transactions—The Acquisition*".

"**Applicable Premium**" means, with respect to any Note the greater of:

(a) 1% of the principal amount of such Note; and

(b) the excess (to the extent positive) of:

    (i) the present value at such redemption date of (1) the redemption price of such Note at May 15, 2022 (such redemption price (expressed in percentage of principal amount) being set forth in the table under the heading "Optional Redemption" (excluding accrued and unpaid interest)), *plus* (2) all required interest payments due on such Note to and including May 15, 2022 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date *plus* 50 basis points and assuming that the rate of interest on the Notes for the period from the redemption date through May 15, 2022 will equal the rate of interest on the Notes in effect on the date on which the applicable notice of redemption is given; over

    (ii) the outstanding principal amount of such 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, the Calculation Agent, or any Paying Agent or Registrar.

"**Asset Sale**" means:

(1) the sale, conveyance, transfer, (including by way of a Sale/Leaseback Transaction, but excluding any operating leases entered into in the ordinary course of business) or other

disposition of property or assets (whether by merger, allocation of assets, division, consolidation or amalgamation or in a single transaction or a series of related transactions) of the Issuer or any Restricted Subsidiary, or

(2) the issuance or sale of Equity Interests (other than Preferred Stock of Restricted Subsidiaries issued in compliance with the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" and directors' qualifying shares or shares or interests required to be held by foreign nationals or other third parties to the extent required by applicable law) of any Restricted Subsidiary of the Issuer (other than to the Issuer or another Restricted Subsidiary) (whether in a single transaction or a series of related transactions),

(each of the foregoing referred to in this definition as a "**disposition**"). Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(a) a sale, exchange or other disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities, or of obsolete, damaged, unnecessary, unsuitable or worn out equipment, facilities or other assets in the ordinary course of business, or dispositions of property no longer used, useful or economically practicable to maintain in the conduct of the business of the Issuer and its Restricted Subsidiaries (including allowing any registrations or any applications for registration of any intellectual property or other intellectual property rights to lapse or become abandoned) and any transfer termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;

(b) the sale, conveyance, lease or other disposition of all or substantially all of the assets of the Issuer in compliance with the provisions described under "*—Certain Covenants—Merger, Consolidation, Amalgamation or Sale of all or Substantially all Assets*" or any disposition that constitutes a Change of Control;

(c) (i) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "*—Certain covenants—Limitation on Restricted Payments*"; (ii) or any Permitted Investment; or (iii) solely for purposes of the second paragraph of the covenant described under "*—Certain Covenants—Assets Sales*", asset sales, the proceeds of which are used to make such Restricted Payments or Permitted Investments;

(d) any disposition of properties or assets or issuance or sale of Equity Interests of any Restricted Subsidiary, in a single transaction or series of related transactions, with an aggregate Fair Market Value of less than or equal to €15 million;

(e) any transfer or disposition of property or assets or issuance or sale of Equity Interests by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Issuer or a direct or indirect parent or the issuance of directors' qualifying shares and shares issued to individuals as required by applicable law;

(f) the creation of any Lien permitted under the Indenture;

(g) a disposition of inventory, trading stock, security equipment or other equipment or assets in the ordinary course of business;

(h) any issuance, sale, pledge or other disposition of Equity Interests in, or Indebtedness or other securities of, an Unrestricted Subsidiary;

(i) the sale, lease, assignment, license or sublease of inventory, equipment, accounts receivable, notes receivable or other current assets held for sale in the ordinary course of business or the conversion of accounts receivable to notes receivable or dispositions of accounts receivable in connection with the collection or compromise thereof;

(j) the lease, assignment, license, sublicense or sublease of any real or personal property in the ordinary course of business;

(k) a sale or transfer of accounts receivable, or participations therein, and related assets of the type specified in the definition of "Receivables Financing" (or a fractional undivided interest therein) (i) to a Receivables Subsidiary or (ii) by a Receivables Subsidiary, in each case, in a Qualified Receivables Financing, a Recourse Factoring or Securitization or in other factoring or similar transactions;

(l) any exchange of assets for Related Business Assets (including a combination of Related Business Assets and a *de minimis* amount of cash or Cash Equivalents) of comparable or greater market value than the assets exchanged, as determined in good faith by the Issuer;

(m) (i) non-exclusive licenses, sublicenses or cross-licenses of intellectual property, other intellectual property rights or other general intangibles and (ii) exclusive licenses, sublicenses or cross-licenses of intellectual property, other intellectual property rights or other general intangibles in the ordinary course of business of the Issuer and the Restricted Subsidiaries of the Issuer;

(n) the surrender or waiver of obligations of trade creditors or customers or other contract rights that were incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary of the Issuer, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer or compromise, settlement, release or surrender of a contract, tort or other litigation claim, arbitration or other disputes;

(o) any transfer in a Sale/Leaseback Transaction with respect to any property acquired or built after the Existing Notes Issue Date (or with respect to the Target Group, the Completion Date) by the Issuer or any of its Restricted Subsidiaries; *provided* that, such transfer is for at least Fair Market Value (as determined on the date on which a definitive agreement for such transfer was entered into);

(p) dispositions arising from foreclosures, condemnations, eminent domain, seizure, nationalization or any similar action with respect to assets, dispositions of property subject to casualty events and (except for purposes of calculating Net Cash Proceeds of any Asset Sale under the second, third, fourth and fifth paragraphs under "*—Certain Covenants—Asset Sales*") dispositions necessary or advisable (as determined by the Issuer in good faith) in order to consummate any acquisition of any Person, business or assets;

(q) dispositions of Investments (including Equity Interests) in joint ventures to the extent required by, or made pursuant to customary buy/sell arrangements or rights of first refusal between, the joint venture parties set forth in joint venture arrangements and similar binding arrangements;

(r) to the extent allowable under Section 1031 of the Code, any exchange of like property (excluding any boot thereon) for use in a Similar Business;

(s) the issuance of directors' qualifying shares and shares issued to foreign nationals to the extent required by applicable law;

(t) dispositions of property to the extent that (i) such property is exchanged for credit against the purchase price of similar replacement property that is purchased within 90 days of such disposition or (ii) the proceeds of such Asset Sale are applied within 90 days of such disposition to the purchase price of such replacement property (which replacement property is purchased within 90 days of such disposition);

(u) a sale or transfer of equipment receivables, or participations therein, and related assets;

(v) any dispositions in connection with the Transactions;

(w) any disposition of Equity Interests 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), where such disposition is made as part of such acquisition and, in each case, comprising all or a portion of the consideration in respect of such acquisition;

(x) the disposition of assets that are necessary or advisable, in the good faith judgment of the Issuer, in order to obtain the approval of any Governmental authority to consummate or avoid the prohibition or other restrictions on the consummation of any Permitted Investment, acquisition or similar Investment; and

(y) the disposition of assets to a Person who is providing services (the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person) related to such assets; *provided, however*, that in the opinion of the Board of Directors of the Issuer or a direct or indirect parent, the outsourcing transaction will be economically beneficial to the Issuer and its Restricted Subsidiaries (considered as a whole).

For the avoidance of doubt, the unwinding of Swap Contracts shall not be deemed to constitute an Asset Sale.

"**B&B I/C Loan**" means the €87.6 million loan which was made by the Issuer to B&B Italia S.p.A. on November 22, 2018 (as accreted or partially repaid from time to time) with a portion of the proceeds of the Existing Notes under the B&B I/C Loan Agreement.

"**B&B I/C Loan Agreement**" means the notes proceeds loan agreement which was entered into on November 22, 2018 between the Issuer, as lender, and B&B Italia S.p.A., as borrower, pursuant to which the B&B I/C Loan was made, as amended from time to time, including on or around the Issue Date.

"**beneficial owner**" has the meaning given to that term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will not be deemed to have beneficial ownership of any securities that such "person" has the right to acquire or vote only upon the happening of any future event or contingency (including the passage of time) that has not yet occurred. The terms "beneficial ownership," "beneficially owns" and "beneficially owned" have a corresponding meaning.

"**Board of Directors**" means as to any Person, the board of directors, board of managers, sole member or managing member or other governing body of such Person, or if such Person is owned or managed by a single entity or has a general partner, the board of directors, board of managers, sole member or managing member or other governing body of such entity or general partner, or in each case, any duly authorized committee thereof, and the term "*directors*" means members of the Board of Directors.

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).

The obligations of the "Board of Directors of the Issuer" under the Indenture may be exercised by the Board of Directors of a Restricted Subsidiary or a direct or indirect parent of the Issuer pursuant to a delegation of powers of the Board of Directors of the Issuer.

"**Bund Rate**" means 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 or an Officer of the Issuer) most nearly equal to the period from the redemption date to May 15, 2022; *provided, however*, that if the period from the redemption date to May 15, 2022 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 May 15, 2022 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.

"**Business Day**" means each day that is not a Saturday, Sunday or other day on which banking institutions in New York, Milan, Copenhagen or London are authorized or required by law to close.

"**Capital Markets Debt**" means any Indebtedness consisting of bonds, debentures, notes or similar debt issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale 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.

"**Capitalized Lease Obligation**" means, in relation to any determination under the Indenture, an obligation that is required to be classified and accounted for as a finance lease or a capitalized lease for financial reporting purposes on the basis of IAS 17 (*Leases*), or as the case may be and subject to (as applicable) the Election Option, as lease liabilities on the balance sheet in accordance with IFRS 16 (*Leases*), notwithstanding any election to apply IFRS as of a later date or GAAP as set forth in the definition of "IFRS"). The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared in accordance with IFRS, subject to the Election Option, 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.

"**Capital Stock**" of any Person means any and all shares of, rights to purchase, warrants or options 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 such equity.

"**Cash Contribution Amount**" means the aggregate amount of cash contributions made to the capital of the Issuer or any Guarantor and designated as a "Cash Contribution Amount" as described in the definition of "Contribution Indebtedness".

"**Cash Equivalents**" means:

(1) euros, U.S. Dollars, Canadian Dollars, Japanese yen, pounds sterling, RMB or the national currency of any participating member state of the European Union and other currencies held by a Holdings Entity or Subsidiaries in the ordinary course of business;

(2) securities issued or directly guaranteed or insured by the government of the United States, Canada or any country that is a member of the European Union, Switzerland or Norway or, in each case, any agency or instrumentality thereof in each case with maturities not exceeding two years from the date of acquisition;

(3) money market deposits, certificates of deposit, time deposits, eurodollar or other recognized 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 party to the Revolving Credit Facility Agreement or by any bank or trust company (a) whose commercial paper is rated at least "A-3" or the equivalent thereof (or has an equivalent long-term rating) by S&P or at least "P-3" or the equivalent thereof (or has an equivalent long-term rating) by Moody's or at least "F3" or the equivalent thereof (or has an equivalent long-term rating) by Fitch (or if at the time none of the foregoing 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 million;

(4) repurchase obligations for underlying securities of the types described in clauses (2) and (3) above and clause (6) below entered into with any financial institution or securities dealers of recognized national standing meeting the qualifications specified in clause (3) above;

(5) commercial paper or variable or fixed rate notes issued by a corporation or other Person (other than an Affiliate of the Issuer) rated at least "A-3" or the equivalent thereof by S&P, at least "P-3" or the equivalent thereof by Moody's or at least "F3" or the equivalent thereof by Fitch or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization if the three named Rating Agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in each case maturing within two years after the date of acquisition;

(6) readily marketable direct obligations issued by the United States of America, any state, commonwealth or territory of the United States of America, Canada, any province of Canada, any member of the European Union, Switzerland or Norway or any political subdivision thereof, in each case, having Investment Grade Status from either Fitch, Moody's or S&P (or, if at the time, none of the foregoing is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(7) Indebtedness or preferred stock issued by Persons (other than the Initial Investors) with a rating of "BBB–" or higher from S&P, "Baa3" or higher from Moody's or "BBB–" from Fitch (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization), in each case, with maturities not exceeding two years from the date of acquisition, and marketable short-term money market and similar securities having a rating of at least "A-3" or the equivalent thereof by S&P, at least "P-3" or the equivalent thereof by Moody's or at least "F3" or the equivalent thereof by Fitch (or reasonably equivalent ratings of another Nationally Recognized Statistical Rating Organization);

(8) investment funds investing at least 95% of their assets in investments of the types described in clauses (1) through (7) above and (9), (10) and (11) below;

(9) Investments with average maturities of 12 months or less from the date of acquisition in money market funds rated "AAA" (or the equivalent thereof) or better by S&P or "Aaa3" (or the equivalent thereof) or better by Moody's (or reasonably equivalent ratings of another Nationally Recognized Statistical Rating Organization);

(10) in the case of investments by any Subsidiary or investments made in a country outside the United States of America, Canada, any province of Canada, any member of the European Union, Switzerland or Norway, other investments of comparable tenor and credit quality to those described in the foregoing clauses (1) through (9) above and (11) below customarily utilized in the countries where such Subsidiary is located or in which such investment is made; and

(11) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent).

Notwithstanding the foregoing, Cash Equivalents shall include amounts denominated in currencies other than those set forth in clause (1) above; *provided* that such amounts are converted into any currency listed in clause (1) as promptly as practicable and in any event within ten Business Days following the receipt of such amounts.

"**Cash Management Services**" means any of the following to the extent not constituting a line of credit (other than an overnight draft facility that is not in default): automated clearing house transactions, treasury and/or cash management services, including, without limitation, treasury, depository, overdraft, credit, purchasing or debit card, non-card e-payables services, electronic funds transfer, treasury management services (including controlled disbursement services, overdraft automatic clearing house fund transfer services, return items and interstate depository network services), other demand deposit or operating account relationships, foreign exchange facilities and merchant services.

"**Change of Control**" means the occurrence of any of the following:

(1) the Issuer becoming 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 Existing Notes Issue Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Existing Notes Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer; or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, 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 its Restricted Subsidiaries, taken as a whole, to a Person, other than a Restricted Subsidiary or one or more Permitted Holders,

provided that, in each case, a Change of Control shall not be deemed to have occurred if such a Change of Control is also a Specified Change of Control Event.

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 a holding company if (i) 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 (ii) immediately following that transaction no Person (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of the holding company, and (b) 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.

"**Clearstream**" means Clearstream Banking, S.A., as currently in effect or any successor securities clearing agency.

"**Code**" means the U.S. Internal Revenue Code of 1986, as amended from time to time.

"**Collateral**" has the meaning assigned to such term under "*Security—General*".

"**Completion Date**" means the date of completion of the Acquisition.

"**Consolidated EBITDA**" means, with respect to any Person and its Restricted Subsidiaries on a consolidated basis for any period, the Consolidated Net Income of such Person for such period:

(1) increased, in each case (other than with respect to clauses (k), (l) and (n) below) to the extent deducted and not added back or excluded in calculating such Consolidated Net Income (and without duplication), by:

   (a) provision for taxes based on income, profits or capital, including federal, state, provincial, territorial, local, foreign, unitary, franchise, excise, property and similar taxes and foreign withholding and similar taxes paid or accrued, including giving effect to any penalties and interest with respect thereto, and state taxes in lieu of business fees (including business license fees) and payroll tax credits, income tax credits and similar credits and including an amount equal to the amount of tax distributions actually made to the holders of Equity Interests of such Person or its Restricted Subsidiaries or any direct or indirect parent of such Person or its Restricted Subsidiaries in respect of such period (in each case, to the extent attributable to the operations of such Person and its Subsidiaries), which shall be included as though such amounts had been paid as income taxes directly by such Person or its Restricted Subsidiaries; *plus*

(b) Consolidated Interest Expense; *plus*

(c) all depreciation and amortization charges and expenses, including amortization or expense recorded for upfront payments related to any contract signing and signing bonus and incentive payments; *plus*

(d) the amount of any interest expense consisting of Subsidiary income attributable to minority equity interests of third parties in any Restricted Subsidiary of such Person that is not a Wholly Owned Restricted Subsidiary of such Person; *plus*

(e) the amount of management, monitoring, consulting, transaction, advisory and exit fees (including termination fees) and related indemnities, charges and expenses paid or accrued to or on behalf of any direct or indirect parent of the Issuer, any member of the Board of Directors of the Issuer or any of the Permitted Holders or any Affiliate of a Permitted Holder, in each case, to the extent permitted under "*—Certain Covenants—Transactions with Affiliates*;" *plus*

(f) earn-out and contingent consideration obligations (including to the extent accounted for as bonuses or otherwise) and adjustments thereof and purchase price adjustments incurred in connection with any acquisition or other Investment and paid or accrued during the applicable period, including any mark-to-market adjustments; *plus*

(g) all payments, charges, costs, expenses, accruals or reserves in connection with the rollover, acceleration or payout of equity interests held by any future, present or former director, officer, employee, manager, consultant or independent contractor of the Issuer or any of its Restricted Subsidiaries and all losses, charges and expenses related to payments made to holders of options, cash settled appreciation rights or other derivative equity interests in the common equity of such Person or any direct or indirect parent of the Issuer in connection with, or as a result of, any distribution being made to equityholders of such Person or any of its direct or indirect parents, which payments are being made to compensate such holders as though they were equityholders at the time of, and entitled to share in, such distribution; *plus*

(h) all non-cash losses, charges and expenses, including any write-offs or write-downs; *provided* that if any such non-cash charge represents an accrual or reserve for potential cash items in any future four-fiscal quarter period, (i) such Person may determine not to add back such non-cash loss, charge or expense in the period for which Consolidated EBITDA is being calculated and (ii) to the extent such Person does decide to add back such non-cash loss, charge or expense, the cash payment in respect thereof in such future four-fiscal quarter period will be subtracted from Consolidated EBITDA for such future four-fiscal quarter period; *plus*

(i) all costs and expenses in connection with pre-opening and opening and closure and/or consolidation of facilities that were not already excluded in calculating such Consolidated Net Income; *plus*

(j) restructuring charges; accruals or reserves (and adjustments to existing reserves) and business optimization expense, including any restructuring costs and integration costs incurred in connection with the Transactions and any other acquisitions; start-up costs (including entry into new market/channels and new service offerings); costs related to the closure, relocation, reconfiguration and/or consolidation of facilities and costs to relocate employees; integration and transaction costs; retention charges; severance; contract termination costs; recruiting and signing bonuses and expenses; future lease commitments; systems establishment costs; systems, facilities or equipment conversion costs; excess pension charges, curtailments or modifications to pension and post-retirement employment benefit plans (including and settlement of pension liabilities) and consulting fees; expenses attributable to the implementation of costs savings initiatives; costs associated with tax projects/audits, expenses relating to any decommissioning or reconfiguration of fixed assets for alternative uses and costs consisting of professional consulting or other fees relating to any of the foregoing and fees, costs and expenses associated with acquisition-related litigation and settlements thereof; *plus*

(k) Pro Forma Cost Savings; *plus*

(l) all adjustments of the nature used in connection with the calculation of (A) Adjusted EBITDA and Target Group Synergized EBITDA (or similar pro forma non-IFRS measures) as set forth in the section entitled the "*Summary—Summary Pro Forma and Historical Financial Information and Other Data—Target Group Synergized EBITDA and Pro Forma Other Financial Information*" of the offering memorandum relating to the Existing Notes dated November 9, 2018 and (B) the calculation of "Adjusted EBITDA", "Synergized EBITDA" and "Pro Forma Synergized EBITDA" (or similar *pro forma* non-IFRS measures) as set forth in the section entitled "*Summary—Summary Historical Financial Information and Other Data—Other Financial and Pro Forma Data*" of this Offering Memorandum, in each case without duplication and to the extent adjustments of such nature continue to be applicable during the period in which Consolidated EBITDA is being calculated; *provided* that any such adjustments that consist of reductions in costs and other operating improvements or cost or revenue synergies shall be calculated in accordance with, and satisfy the requirements specified in, the definition of "Pro Forma Basis"; *plus*

(m) the amount of loss or discount on sale of receivables and related assets to the Receivables Subsidiary in connection with a Receivables Financing, factoring financing, securitization or similar arrangement (in each case, excluding Recourse Factoring or Securitization); *plus*

(n) with respect to any joint venture of such Person or any Restricted Subsidiary thereof that is not a Restricted Subsidiary, an amount equal to (i) such Person's or such Restricted Subsidiary's proportionate share of the net income of such joint venture that is excluded from Consolidated Net Income as a result of clause (h)(i) of the definition of Consolidated Net Income and (ii) the proportion of those items described in clauses (a), (b) and (c) above relating to such joint venture corresponding to such Person'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) solely to the extent Consolidated Net Income was reduced thereby; *plus*

(o) 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

(p) 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) below for any previous period and not added back; *plus*

(q) any net loss included in the Consolidated Net Income attributable to non-controlling interests; and 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*

(r) 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*

(s) any (i) Transaction Expenses and (ii) any fees, costs, expenses or charges 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), Investment, acquisition, disposition, recapitalization or the Incurrence of Indebtedness permitted to be Incurred under 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 issuance of the Existing Notes, the Revolving Credit Facility Agreement, the offering of any other debt securities, any other Credit Agreement and any Receivables Fees, and (ii) any amendment, waiver or other modification of the Notes, the Existing Notes, the Revolving Credit Facility Agreement, the Intercreditor Agreement, any Security Documents or security documents relating to the Existing Notes, Recourse Factoring or Securitization, Receivables Financings or similar arrangements, any other Credit Agreement, any other Indebtedness permitted to be Incurred under the Indenture or any Equity Offering, in each case, whether or not consummated, to the extent the same were deducted (and not added back) in computing Consolidated Net Income;

(2) *decreased* (without duplication and to the extent increasing such Consolidated Net Income for such period) by (i) non-cash gains or income, excluding any non-cash gains that represent the reversal of any accrual of, or cash reserve for, anticipated cash charges that were deducted (and not added back) in the calculation of Consolidated EBITDA for any prior period ending after the Existing Notes Issue Date and (ii) the amount of any minority interest income consisting of a Subsidiary loss attributable to minority equity interests of third parties in any non-Wholly Owned Subsidiary (to the extent not deducted from Consolidated Net Income for such period);

(3) *increased* (with respect to losses) or *decreased* (with respect to gains) by, without duplication, any net cash or realized gains and losses relating to (i) amounts denominated in foreign currencies resulting from the application of IAS 21 (including net realized gains and losses from exchange rate fluctuations on intercompany balances and balance sheet items, net of realized gains or losses from related Swap Contracts (entered into in the ordinary course of business or consistent with past practice)) or (ii) any other amounts denominated in or otherwise trued-up to provide similar accounting as if they were denominated in foreign currencies; and

(4) *increased* (with respect to losses) or *decreased* (with respect to gains) by, without duplication, any gain or loss relating to Swap Contracts (excluding Swap Contracts entered into in the ordinary course of business or consistent with past practice);

provided that the Issuer may, in its sole discretion, elect to not make any adjustment for any item pursuant to the foregoing clauses (1) through (4) above if any such item individually is less than €1 million in any fiscal quarter.

"**Consolidated Interest Expense**" means, with respect to any Person for any period, the sum, without duplication, of:

(a) the aggregate interest expense of such Person and its Restricted Subsidiaries for such period, calculated on a consolidated basis in accordance with IFRS, to the extent such expense was deducted (and not added back) in computing Consolidated Net Income (including pay in kind interest payments, amortization of original issue discount, the interest component of Capitalized Lease Obligations and net payments and receipts (if any) pursuant to Swap Contracts (other than in connection with the early termination thereof) but excluding any non-cash interest expense attributable to the movement in the mark-to-market valuation of Indebtedness, Swap Contracts or other derivative instruments, all amortization and write-offs of deferred financing fees, debt issuance costs, commissions, discounts, fees and expenses and expensing of any bridge, commitment or other financing fees, costs of surety bonds, charges owed with respect to letters of credit, bankers' acceptances or similar facilities, and all discounts, commissions, fees and other charges associated with any Receivables Financing); *plus*

(b) consolidated capitalized interest of the referent Person and its Restricted Subsidiaries for such period, whether paid or accrued; *less*

(c) (i) interest income of the referent Person and its Restricted Subsidiaries for such period (ii) accretion or accrual of discounted liabilities other than Indebtedness, (iii) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition and depreciation charges in respect of interest capitalized in a period following the Existing Notes Issue Date, (iv) interest with respect to Indebtedness of any Holdings Entities of such Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under IFRS, (v) any Additional Amounts with respect to the Notes or other similar tax gross-up on any Indebtedness, which is included in interest expense under IFRS and (vi) any commissions, discounts, yield after fees and charges related to factoring receivables or securitization financings that do not constitute Recourse Factoring or Securitization;

provided that in the case of any Person that became a Restricted Subsidiary of such Person after the commencement of any four-quarter period, the interest expense of such Person paid in cash prior to the date on which it became a Restricted Subsidiary of such Person will be disregarded. For purposes of this definition, interest on Capitalized Lease Obligations will be deemed to accrue at the interest rate reasonably determined by such Person to be the rate of interest implicit in such Capitalized Lease Obligations in accordance with IFRS, subject to the Election Option. Consolidated Interest Expense shall not include any interest expense relating to Subordinated Shareholder Funding.

"**Consolidated Net Income**" means, with respect to any Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, calculated on a consolidated basis in accordance with IFRS and before any reduction in respect of Preferred Stock dividends; *provided* that (without duplication):

(a) all net after-tax extraordinary, non-recurring, exceptional or unusual gains, losses, income, expenses and charges in each case as determined in good faith by such Person, and in any event including, without limitation, all restructuring, severance, relocation, retention and completion payments, consolidation, integration or other similar charges and expenses, contract termination costs, system establishment charges, conversion costs, start-up or closure or transition costs, expenses related to any reconstruction, decommissioning, recommissioning or reconfiguration of fixed assets for alternative uses, fees, expenses or charges relating to curtailments, settlements or modifications to pension and post-retirement employee benefit plans in connection with the Transactions or any acquisition or Permitted Investment, expenses associated with strategic initiatives, facilities shutdown and opening costs, and any fees, expenses, charges or change in control payments related to the Transactions or any acquisition or Permitted Investment (including any transition-related expenses (including retention or transaction-related bonuses or payments) incurred before, on or after the Issue Date), will be excluded;

(b) all (i) losses, charges and expenses relating to the Transactions, (ii) transaction fees, costs, expenses and charges incurred in connection with the consummation of any equity issuances, investments, acquisitions, dispositions, recapitalizations, mergers, amalgamations, option buyouts and the Incurrence, modification or repayment of Indebtedness permitted to be Incurred under the Indenture (including any Refinancing Indebtedness in respect thereof) or any amendments, waivers or other modifications under the agreements relating to such Indebtedness or similar transactions (in each case, whether or not consummated) and (iii) without duplication of any of the foregoing, non-operating or non-recurring professional fees, costs, expenses and charges for such period will be excluded;

(c) all net after-tax income, loss, expense or charge from abandoned, closed or discontinued operations and any net after-tax gain or loss on the disposal of abandoned, closed or discontinued operations (and all related expenses) other than in the ordinary course of business (as determined in good faith by such Person) will be excluded;

(d) all net after-tax gain, loss, expense or charge attributable to business dispositions and asset dispositions, including the sale or other disposition of any Equity Interests of any Person, other than in the ordinary course of business (as determined in good faith by such Person) will be excluded;

(e) all net after-tax income, loss, expense or charge attributable to the early extinguishment, conversion or cancellation of Indebtedness, Swap Contracts or other derivative instruments (including deferred financing costs written off and premiums paid) will be excluded;

(f) all non-cash gains, losses, expenses or charges attributable to the movement in the mark-to-market valuation of Indebtedness, Swap Contracts or other derivative instruments will be excluded;

(g) any non-cash or unrealized foreign currency translation or foreign currency transaction gains and losses related to changes in currency exchange rates (including remeasurements of Indebtedness and any net loss or gain resulting from (i) Swap Contracts for currency exchange risk and (ii) intercompany Indebtedness), will be excluded;

(h) (i) the net income for such period of any Person that is not the referent Person or a Restricted Subsidiary of the referent Person or that is accounted for by the equity method of accounting, will be included only to the extent of the amount of dividends or distributions or other payments that are paid in (or converted into or that, as reasonably determined by a responsible financial or accounting officer of the referent Person or a Restricted Subsidiary of the referent Person, could have been paid in or converted into (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (v) below, cash) with respect to such equity ownership to the referent Person or a Restricted Subsidiary thereof in respect of such period and (ii) without duplication, the net income for such period will include any ordinary course dividends or distributions or other payments paid in cash (or converted into cash) with respect to such equity ownership received from any such Person during such period in excess of the amounts included in sub-clause (i) above;

(i) the cumulative effect of a change in accounting principles and changes as a result of the adoption or modification of accounting policies will be excluded;

(j) the effects of purchase accounting, fair value accounting or recapitalization accounting adjustments (including the effects of such adjustments pushed down to the referent Person and its Restricted Subsidiaries) resulting from the application of purchase accounting, fair value accounting or recapitalization accounting in relation to the Transactions or any acquisition consummated before or after the Issue Date, and the amortization, write-down or write-off of any amounts thereof, net of taxes, will be excluded;

(k) all non-cash impairment charges and asset write-ups, write-downs and write-offs, in each case pursuant to IFRS, and the amortization of intangibles arising from the application of IFRS will be excluded;

(l) all non-cash expenses realized in connection with or resulting from equity or equity-linked compensation plans, employee benefit plans or agreements or post-employment benefit plans or agreements, or grants or sales of stock, stock appreciation or similar rights, stock options, restricted stock, preferred stock, stock appreciation or other similar rights will be excluded;

(m) any costs or expenses incurred in connection with the payment of dividend equivalent rights to holders of equity-based incentive awards pursuant to any management equity plan, stock option plan or any other management or employee benefit plan or agreement or post-employment benefit plan or agreement will be excluded;

(n) accruals and reserves for liabilities or expenses that are established or adjusted as a result of the Transactions within 24 months after the Completion Date will be excluded;

(o) all amortization and write-offs of deferred financing fees, debt issuance costs, commissions, fees and expenses, costs of surety bonds, charges owed with respect to letters of credit, bankers' acceptances or similar facilities, and expensing of any bridge, commitment or other financing fees (including in connection with a transaction undertaken but not completed), will be excluded;

(p) all discounts, commissions, fees and other charges (including interest expense) associated with any Receivables Financing, factoring financing, securitization or similar arrangement will be excluded;

(q) (i) the non-cash portion of "straight-line" rent expense will be excluded and (ii) the cash portion of "straight-line" rent expense that exceeds the amount expensed in respect of such rent expense will be included;

(r) expenses and lost profits with respect to liability or casualty events or business interruption will be disregarded to the extent covered by insurance and actually reimbursed, or, so long as such Person has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer, but only to the extent that such amount (i) has not been denied by the applicable carrier in writing and (ii) is in fact reimbursed within 365 days of the date on which such liability was discovered or such casualty event or business interruption occurred (with a deduction for any amounts so added back that are not reimbursed within such 365-day period); *provided* that any proceeds of such reimbursement when received will be excluded from the calculation of Consolidated Net Income to the extent the expense or lost profit reimbursed was previously disregarded pursuant to this clause (r);

(s) losses, charges and expenses that are covered by indemnification or other reimbursement provisions in connection with any asset disposition will be excluded to the extent actually reimbursed, or, so long as such Person has made a determination that a reasonable basis exists for indemnification or reimbursement, but only to the extent that such amount is in fact indemnified or reimbursed within 365 days of such determination (with a deduction in the applicable future period for any amount so added back to the extent not so indemnified or reimbursed within such 365 days);

(t) non-cash charges or income relating to adjustments to deferred tax asset valuation allowances will be excluded;

(u) cash dividends or returns of capital from Investments (such return of capital not reducing the ownership interest in the underlying Investment), in each case received during such period, to the extent not otherwise included in Consolidated Net Income for that period or any prior period subsequent to the Existing Notes Issue Date will be included;

(v) solely for the purpose of determining the amount available for Restricted Payments under clause (c) of the first paragraph under "*—Certain Covenants—Limitation on Restricted Payments*", and without duplication of provisions under clause (c) of the first paragraph under "*—Certain Covenants—Limitation on Restricted Payments*" with respect to cash dividends or returns on Investments, the net income (or loss) for such period of any Restricted Subsidiary (other than a Guarantor) will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary is not at the date of determination permitted without any prior governmental approval (which has not been obtained) or, directly or indirectly, by the operation of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders, unless such restriction with respect to the payment of dividends or similar distributions has been legally waived; *provided* that Consolidated Net Income of such Person will be increased by the amount of dividends or other distributions or other payments actually paid or could have been paid in cash (or to the extent converted into cash) or Cash Equivalents to such Person or any of its Restricted Subsidiaries in respect of such period, to the extent not already included therein (subject, in the case of a dividend to another Restricted Subsidiary (other than a Guarantor), to the limitation contained in this clause (v));

(w) any Initial Public Company Costs will be excluded;

(x) any (i) severance or relocation costs or expenses, (ii) one-time non-cash compensation charges, (iii) the costs and expenses related to employment of terminated employees, or (iv) costs or expenses realized in connection with or resulting from stock appreciation or similar rights, stock options or other rights of officers, directors and employees, in each case, of such Person or any of its Restricted Subsidiaries, shall be excluded;

(y) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding;

(z) any net gain (or loss) from disposed, abandoned or discontinued operations and any net gain (or loss) on disposal of disposed, discontinued or abandoned operations; and

(aa) any non-cash interest expense and non-cash interest income, in each case to the extent there is no associated cash disbursement or receipt, as the case may be, before the earlier of the maturity date of the Notes and the date on which all the Notes cease to be outstanding, shall be excluded;

provided that the Issuer may, in its sole discretion, elect to not make any adjustment for any item pursuant to clauses (a) through (y) above if any such item individually is less than €1 million in any fiscal quarter.

For the purpose of the covenant described under "*—Certain covenants—Limitation on Restricted Payments*" only, there shall be excluded from Consolidated Net Income any income arising from the sale or other disposition of Restricted Investments, from repurchases or redemptions of Restricted Investments, from repayments of loans or advances which constituted Restricted Investments or from any dividends, repayments of loans or advances or other transfers of assets from Unrestricted Subsidiaries, in each case to the extent such amounts increase the amount of Restricted Payments permitted under such covenant pursuant to clauses (c)(5) or (c)(6) of the first paragraph thereof.

"**Consolidated Senior Secured Net Debt Ratio**" means, as of any date of determination, the ratio of (1) (x) Senior Secured Indebtedness as of such date *minus* (y) the amount of cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries as of such date of determination, and in each case, calculated on a Pro Forma Basis to (2) the Consolidated EBITDA of the Issuer for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding such date, calculated on a Pro Forma Basis; *provided*, *however*, that the pro forma calculation shall not give effect to (i) any Senior Secured Indebtedness Incurred on such determination date pursuant to the provisions described in the second paragraph under "*Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" (other than Indebtedness Incurred pursuant to clause (n)(2) of the second paragraph under "*Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*") or (ii) the discharge on such determination date of any Senior Secured Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" (other than the discharge of Indebtedness using proceeds of Indebtedness Incurred pursuant to clause (n)(2) of the second paragraph under "*Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*").

"**Consolidated Total Indebtedness**" means, without double-counting, the sum of (A) any Reserved Indebtedness Amount; and (B) all Indebtedness of the type described in clause (1)(a), clause (1)(b) (but excluding surety bonds, performance bonds or other similar instruments), clause (1)(d) (but solely in respect of the amount of outstanding Indebtedness of the type described in clause (1)(d) that is in excess of €2.5 million) and clause (2) (in respect of Indebtedness of the type described in clauses (1)(a), (1)(b) (but excluding Indebtedness constituting surety bonds, performance bonds or other similar instruments) and clause (1)(d) (but solely in respect of the amount of Indebtedness of the type described in clause (1)(d) that is in excess of €2.5 million)) of the definition of "Indebtedness", of a Person and its Restricted Subsidiaries on a consolidated basis, in an amount that would be reflected on a balance sheet prepared as of such date on a consolidated basis in accordance with IFRS (but (x) excluding the effects of any discounting of Indebtedness resulting from the application of purchase accounting in connection with the Transactions or any acquisition and (y) any Indebtedness that is issued at a discount to its initial principal amount shall be calculated based on the entire stated principal amount thereof, without giving effect to any discounts or upfront payments), excluding obligations in respect of letters of credit, bank guarantees and guarantees on first demand, in each case, except to the extent of unreimbursed amounts thereunder. For the avoidance of doubt, it is understood that obligations (i) under Swap Contracts, Cash Management Services, and any Receivables Financing, factoring financing, securitization or similar arrangements (in each case, other than Recourse Factoring or Securitization), and (ii) owed by Unrestricted Subsidiaries, do not constitute Consolidated Total Indebtedness.

"**Consolidated Total Net Debt Ratio**" means, as of any date of determination, the ratio of (1) (x) Consolidated Total Indebtedness of the Issuer as of such date *minus* (y) the amount of cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries as of such date of determination, and in each case, calculated on a Pro Forma Basis to (2) the Consolidated EBITDA of the Issuer for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding such date, calculated on a Pro Forma Basis; *provided*, *however*, that the pro forma calculation shall not give effect to (i) any Indebtedness Incurred on such determination date pursuant to the provisions described in the second paragraph under "*Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" or (ii) the discharge on such determination date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*".

"**Contingent Obligations**" means, with respect to any Person, any obligation of such Person guaranteeing any leases (subject, as applicable, to the Election Option), dividends or other obligations that do not constitute Indebtedness ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, 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 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.

"**continuing**" means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

"**Contribution Indebtedness**" means Indebtedness of the Issuer or any Restricted Subsidiary in an aggregate principal amount which, when taken together with any refinancing Indebtedness in respect thereof, is not greater than the aggregate amount of cash contributions (other than Excluded Contributions) from the issuance or sale of its Subordinated Shareholder Funding or Capital Stock or otherwise made to the capital of the Issuer or any Restricted Subsidiary (other than, in the case of such Restricted Subsidiary, contributions by the Issuer or any other Restricted Subsidiary to its capital) after the Existing Notes Issue Date and designated as a Cash Contribution Amount; *provided* that such Contribution Indebtedness is so designated as Contribution Indebtedness pursuant to an Officer's Certificate on the Incurrence date thereof.

"**Credit Agreement**" means (i) the Revolving Credit Facility Agreement and (ii) whether or not the Revolving Credit Facility Agreement remains outstanding, if designated by the Issuer to be included in the definition of "Credit Agreement," one or more (A) debt facilities, indentures or commercial paper facilities providing for revolving credit loans, term loans, notes, debentures, receivables financing (including through the sale of receivables to lenders or to special purpose entities formed to borrow from lenders against such receivables) or letters of credit or other Indebtedness, (B) debt securities, notes, mortgages, guarantees, collateral documents, indentures or other forms of debt financing (including convertible or exchangeable debt instruments or bank guarantees or bankers' acceptances) or (C) instruments or agreements evidencing any other Indebtedness, in each case, with the same or different borrowers or issuers and, in each case, as amended, supplemented, modified, extended, restructured, renewed, refinanced, restated, increased (*provided* that such increase in borrowings is permitted under the Indenture), replaced or refunded in whole or in part from time to time and whether by the same or any other agent, lender or investor or group of lenders or investors 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 Agreement" 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.

"**Danish Capital Markets Act**" means Consolidated Act No. 1767 of November 27, 2020 on capital markets (*kapitalmarkedsloven*) as amended and supplemented from time to time.

"**Danish Companies Act**" means Consolidated Act No. 763 of July 23, 2019 on companies (*selskabsloven*) as amended and supplemented from time to time.

"**Danish HoldCo**" means Luminous Designs Investments ApS, a company incorporated in Denmark and currently a wholly-owned direct subsidiary of the Issuer, which is the resulting company of the Danish Merger.

"**Danish HoldCo I/C Loan**" means the loan which was made by the Issuer to Danish HoldCo on November 22, 2018 for an amount of €101.5 million (as amended, accreted or partially repaid from time to time), with a portion of the proceeds of the Existing Notes under the Danish HoldCo I/C Loan Agreement.

"**Danish HoldCo I/C Loan Agreement**" means the notes proceeds loan agreement which was entered into on November 22, 2018 between the Issuer, as lender, and Danish HoldCo, as borrower, pursuant to which the Danish HoldCo I/C Loan was made, as amended from time to time.

"**Danish Merger**" means the merger between Luminous Designs Denmark ApS, a company incorporated in Denmark and a wholly-owned indirect subsidiary of the Issuer, and Luminous Designs Investments ApS, a company incorporated in Denmark and a wholly-owned direct subsidiary of the Issuer, as the surviving entity. The Danish Merger was completed on April 6, 2021 with retroactive effects as of January 1, 2020.

"**Default**" means any event which is, or after notice or the passage of time or both would be, an Event of Default.

"**Designated Non-cash Consideration**" means the Fair Market Value of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as Designated Non-cash Consideration pursuant to an Officer's Certificate, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent sale of or collection on 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—Asset Sales*".

"**Designated Preferred Stock**" means Preferred Stock of the Issuer or any direct or indirect parent of the Issuer, as applicable (other than Excluded Equity), that is issued after the Existing Notes Issue Date for cash and is so designated as Designated Preferred Stock, pursuant to an Officer's Certificate, on the issuance date thereof, the cash proceeds of which are contributed to the capital of the Issuer (if issued by any Holdings Entity or any other direct or indirect parent of the Issuer) and excluded from the calculation set forth in clause (c) of the first paragraph of the covenant described under "*—Certain covenants—Limitation on Restricted Payments*".

"**Disqualified Stock**" means, with respect to any Person, any Equity Interests of such Person that, by its terms (or by the terms of any security into which it is convertible or for which it is puttable, redeemable or exchangeable), in each case, at the option of the holder thereof or upon the happening of any event:

(1) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise (other than as a result of a change of control or asset sale; *provided* that the relevant asset sale or change of control provisions, taken as a whole, are no more favorable in any material respect to holders of such Equity Interests than the asset sale and change of control provisions applicable to the Notes and any purchase requirement triggered thereby may not become operative until compliance with the asset sale and change of control provisions applicable to the Notes (including the purchase of any Notes tendered pursuant thereto)),

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock, or

(3) is redeemable at the option of the holder thereof, in whole or in part,

in each case, prior to the date that is 91 days after the earlier of the maturity date of the Notes and the date the Notes are no longer outstanding; *provided* that only the portion of Equity Interests that so mature or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date shall be deemed to be Disqualified Stock; *provided*, *further*, that if such Equity Interests are issued to any employee or to any plan for the benefit of employees of the Issuer or its Subsidiaries or a direct or indirect parent of the Issuer or by any such plan to such employees, such Equity Interests shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Issuer or its Subsidiaries or a direct or indirect parent of the Issuer in order to satisfy applicable statutory or regulatory obligations or as a result of such employee's termination, death or disability; *provided*, *further*, that any class of Equity Interests of such Person that by its terms authorizes such Person to satisfy its obligations thereunder by delivery of Equity Interests that are not Disqualified Stock shall not be deemed to be Disqualified Stock. For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Stock. Only the portion of Equity Interests 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.

"**DTC**" means The Depository Trust Company or any successor thereto.

"**Equity Contribution**" means the 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 Restricted Subsidiary made, either directly or indirectly, by the Initial Investors or Management Investors, as the case may be, which provided the Issuer with capital, when taken together with the proceeds of the Existing Notes, sufficient to consummate the Original Acquisition.

"**Equity Interests**" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any Capital Stock that arises only by reason of the happening of a contingency or any debt security that is convertible into, or exchangeable for, Capital Stock).

"**Equity Offering**" means any public or private sale on or after the Issue Date of Capital Stock or Preferred Stock of the Issuer or any direct or indirect parent of the Issuer, as applicable (other than Disqualified Stock), other than:

(1) public offerings with respect to the Issuer's or such direct or indirect parent's common stock registered on Form S-4 or Form S-8 or successor form thereto;

(2) issuances to any Subsidiary of the Issuer; and

(3) any such public or private sale that constitutes an Excluded Contribution or Refunding Capital Stock.

"**Escrowed Proceeds**" means the proceeds from the offering 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. The term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"**Euro Equivalent**" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Issuer or the Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in The Financial Times in the "Currency Rates" section (or, if The Financial Times is no longer published, or if such information is no longer available in The Financial Times, such source as may be selected in good faith by the Issuer) on the date of such determination.

"**Euroclear**" means Euroclear Bank SA/NV or any successor securities clearing agency.

"**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 Existing Notes Issue Date, 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.

“**European Union**” means all members of the European Union as of the Existing Notes Issue Date. For the avoidance of doubt, all references to a “member” of the European Union shall include the United Kingdom.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

“**Excluded Contributions**” means the Net Cash Proceeds and Cash Equivalents, or the Fair Market Value of property or other assets, received by the Issuer after the Existing Notes Issue Date from:

(1) contributions to its common equity capital,

(2) the sale of Capital Stock (other than Excluded Equity) of the Issuer, and

(3) the sale of Subordinated Shareholder Funding,

in each case designated as Excluded Contributions pursuant to an Officer’s Certificate, or that are utilized to make a Restricted Payment pursuant to clause (2) of the third paragraph of the covenant described under “*—Certain Covenants—Limitation on Restricted Payments*”. Excluded Contributions will be excluded from the calculation set forth in clause (c) of the first paragraph of “*—Certain Covenants—Limitation on Restricted Payments*”.

“**Excluded Equity**” means (i) Disqualified Stock, (ii) any Equity Interests or Subordinated Shareholder Funding issued or sold to a Restricted Subsidiary or any employee stock ownership plan or trust established by the Issuer or any of its Subsidiaries or a direct or indirect parent of the Issuer (to the extent such employee stock ownership plan or trust has been funded by the Issuer or any Subsidiary or a direct or indirect parent of the Issuer), (iii) any Equity Interest or Subordinated Shareholder Funding that has already been used or designated (x) as (or the proceeds of which have been used or designated as) a Cash Contribution Amount, Designated Preferred Stock, an Excluded Contribution, an Excluded Amount or Refunding Capital Stock, or (y) to increase the amount available under clause (4)(a) of the third paragraph under “*—Certain Covenants—Limitation on Restricted Payments*” or clause (13) of the definition of “Permitted Investments” or is proceeds of Indebtedness referred to in clause (13)(b) of the third paragraph under “*—Certain Covenants—Limitation on Restricted Payments*” and (iv) the Equity Contribution.

“**Existing Fixed Rate Notes**” means the Issuer’s €400.0 million 6.5% Senior Secured Notes due 2025 issued under the Existing Indenture.

“**Existing Floating Rate Notes**” means the Issuer’s €320.0 million Senior Secured Floating Rate Notes due 2025 issued under the Existing Indenture, which will be satisfied and discharged and ultimately redeemed in full on or about the Issue Date with a portion of the proceeds from the offering of the Notes issued on the Issue Date.

“**Existing Indenture**” means the indenture dated November 16, 2018 by and among, *inter alios*, the Issuer, Design Holding S.p.A. and The Law Debenture Trust Corporation p.l.c. as trustee and noteholders’ representative (*rappresentante comune*), governing the Existing Notes.

“**Existing Notes**” means the Existing Fixed Rate Notes and the Existing Floating Rate Notes, collectively, and, following the Refinancing, any reference herein to the Existing Notes shall be deemed to refer to the Existing Fixed Rate Notes.

“**Existing Notes Issue Date**” means November 16, 2018.

“**Fair Market Value**” means, with respect to any asset or property, the price that could be negotiated in an arm’s-length, free market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction (as determined in good faith by the senior management or the Board of Directors of the Issuer or any direct or indirect parent of the Issuer, whose determination will be conclusive for all purposes under the Indenture and the Notes).

"**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, with respect to any Person as of any date, the ratio of (1) Consolidated EBITDA of such Person for the most recent period of four consecutive fiscal quarters for which internal financial statements are available immediately preceding the date on which such calculation of the Fixed Charge Coverage Ratio is made, calculated on a Pro Forma Basis for such period to (2) the Fixed Charges of such Person for such period calculated on a Pro Forma Basis. In the event that the Issuer or any of its Restricted Subsidiaries Incurs or redeems or repays any Indebtedness (other than in the case of revolving credit borrowings or revolving advances under any Qualified Receivables Financing unless the related commitments have been terminated and such Indebtedness has been permanently repaid and has not been replaced) or has caused any Reserved Indebtedness Amount to be deemed to be Incurred during such period or issues or redeems Preferred Stock or Disqualified Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but prior to, substantially simultaneously with, or in connection with, the event for which the calculation of the Fixed Charge Coverage Ratio is made, then the Fixed Charge Coverage Ratio shall be calculated on a Pro Forma Basis; *provided* that, in the event that the Issuer shall classify Indebtedness Incurred on the date of determination as Incurred in part as debt under the Fixed Charge Coverage Ratio contained in the first paragraph of the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" and in part pursuant to one or more clauses of the definition of "Permitted Debt" (other than in respect of clause (n)(1) of such definition) as provided in the third paragraph of such covenant, any calculation of Fixed Charges pursuant to this definition on such date (but not in respect of any future calculation following such date) shall not include any such Indebtedness (and shall not give effect to any repayment, repurchase, redemption, defeasance or other acquisition, retirement or discharge of Indebtedness from the proceeds thereof) to the extent Incurred pursuant to any such other clause of such definition.

"**Fixed Charges**" means, with respect to any Person for any period, the sum of (without duplication):

(1) Consolidated Interest Expense of such Person for such period,

(2) the product of (a) all cash dividend payments (excluding items eliminated in consolidation) on any series of Preferred Stock or Disqualified Stock of such Person and its Restricted Subsidiaries for such period and (b) a fraction, the numerator of which is one and the denominator of which is one *minus* the then current combined federal, state and local statutory tax rate of such Person and its Restricted Subsidiaries, expressed as a decimal, in each case, on a consolidated basis and in accordance with IFRS, and

(3) Fixed Charges that would have arisen from any Reserved Indebtedness Amount had such Reserved Indebtedness Amount been Incurred as of the date of its classification as a Reserved Indebtedness Amount.

"**Flos I/C Loan**" means the €119.2 million loan which was made by the Issuer to Flos S.p.A. on November 22, 2018 (as accreted or partially repaid from time to time) with a portion of the proceeds of the Existing Notes under the Flos I/C Loan Agreement.

"**Flos I/C Loan Agreement**" means the notes proceeds loan agreement which was entered into on November 22, 2018 between the Issuer, as lender, and Flos S.p.A., as borrower, pursuant to which the Flos I/C Loan was made, as amended from time to time, including on or around the Issue Date.

"**GAAP**" means generally accepted accounting principles in the United States of America as in effect from time to time, including those set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession (but excluding the policies, rules and regulations of the SEC applicable only to public companies).

"**Governmental Authority**" means any nation, sovereign or government, any state, province, territory or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, administrative tribunal, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, including a central bank, stock exchange or any applicable supranational bodies (such as the European Union or the European Central Bank)

"**guarantee**" means, as to any Person, a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness or other obligations.

"**Guarantee**" has the meaning assigned to such term under "*—Guarantees*".

"**Guarantors**" has the meaning assigned to such term under "*—Guarantees*".

"**Hedging Obligations**"' of any Person means the obligations of such Person pursuant to any Swap Contract.

"**Holdco**" means (i) Design Holdings S.p.A. or (i) any direct parent of the Issuer established in connection with a Permitted Reorganization and, in each case, their respective successors.

"**holder**" or "**noteholder**" means the Person in whose name a Note is registered on the registrar's books.

"**Holdings Entities**" or "**parent**" means, in relation to any Person, any other Person in respect of which it is a Subsidiary and any holding companies established by any Permitted Holder for purposes of holding its investment in any parent.

"**IFRS**" means the International Financial Reporting Standards as issued by the International Accounting Standards Board as in effect from time to time; *provided*, *however*, that on any date after the Issue Date the Issuer may make an irrevocable election to establish that "IFRS" shall mean IFRS in effect on a date that is on or prior to the date of such election for the purposes of the Indenture (except for the covenant described under "*Certain Covenants—Reports*"). Except as otherwise set forth in the Indenture, all ratios and calculations based on IFRS contained in the Indenture shall be computed in accordance with IFRS.

At any time after the Issue Date, the Issuer may elect to apply GAAP in lieu of IFRS and, upon any such election, references herein to "IFRS" shall thereafter be construed to mean GAAP as in effect from time to time after such election (except as otherwise provided in the Indenture); *provided* that any such election, once made, shall be irrevocable; *provided further*, 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 pursuant to the covenants set forth under "*Certain Covenants—Reports*" in GAAP. The Issuer shall promptly give notice of any such election made in accordance with this definition to the Trustee. Following the election referred to in this paragraph,

(1) all ratios, computations, and other determinations based on IFRS contained in the Indenture, subject to the last paragraph of this definition, shall be computed in accordance with GAAP with retroactive effect being given thereto assuming that such election had been made on the Existing Notes Issue Date; *provided* that for the calculation of any amounts available for Restricted Payments pursuant to clause (c)(1) of the first paragraph under "*Certain Covenants—Limitation on Restricted Payments*", at the date of election, the Issuer shall make a determination of the amount available for Restricted Payments under such clause based on the most recent quarter for which internal consolidated financial statements of the Issuer are available under IFRS (the "**Election Date Amount**"), and from such date, will calculate

amounts available for Restricted Payments pursuant to clause (c)(1) of the first paragraph under "*Certain covenants—Limitation on Restricted Payments*" by adding to or subtracting from (as the case may be) the Election Date Amount any further amounts determined for future periods using GAAP; and

(2) subject to the Election Option, with respect to the definition of "Indebtedness", any current or future lease, concession or license of property (or guarantees thereof) that would be considered an operating lease under IFRS as applied by the Issuer as of the Existing Notes Issue Date shall always be considered an operating lease under IFRS.

Notwithstanding any of the foregoing or any other provision of the Indenture: (a) in relation to the making of any determination or calculation under the Indenture, the Issuer may elect (the "**Election Option**"), from time to time, either (i) to apply IFRS 16 (*Leases*) or (ii) to apply IAS 17 (*Leases*) to the making of such determination or calculation; *provided* that, for the avoidance of doubt, in connection with any determination under the Indenture which is based upon the calculation of more than one component, including any determination in respect of the Fixed Charge Coverage Ratio, the Consolidated Senior Secured Net Debt Ratio and the Consolidated Total Net Debt Ratio, all such components shall be calculated on a consistent basis, applying the same accounting standard.

"**Incur**" means issue, create, assume, enter into any guarantee of, incur or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, 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 or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder.

"**Indebtedness**" means, with respect to any Person, without duplication:

(1) the principal of any indebtedness of such Person, whether or not contingent, (a) in respect of borrowed money, (b) evidenced by bonds, notes, debentures or similar instruments or letters of credit or bankers' acceptances (or, without duplication, reimbursement agreements in respect thereof), (c) representing the deferred and unpaid purchase price of any property, (d) in respect of Capitalized Lease Obligations or (e) representing any Swap Contracts, in each case, if and to the extent that any of the foregoing Indebtedness (other than letters of credit and Swap Contracts) would appear as a liability on a balance sheet (excluding the footnotes thereto) of such Person prepared in accordance with IFRS;

(2) to the extent not otherwise included, any guarantee by such Person of the Indebtedness of another Person (other than by endorsement of negotiable instruments for collection in the ordinary course of business); and

(3) to the extent not otherwise included, Indebtedness of another Person secured by a Lien on any asset owned by such Person (whether or not such Indebtedness is assumed by such Person); *provided*, *however*, that the amount of such Indebtedness will be the lesser of: (a) the Fair Market Value of such asset on the date such Indebtedness was Incurred or, at the option of such Person, at such date of determination, and (b) the amount of such Indebtedness of such other Person.

The term "Indebtedness" shall not include any prepayments of deposits received from clients or customers in the ordinary course of business or consistent with past practices, or 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 practices.

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 practices;

(ii) obligations under or in respect of Receivables Financings or factoring transactions (other than Recourse Factoring or Securitization);

(iii) any balance that constitutes a trade payable, accrued expense or similar obligation to a trade creditor, in each case Incurred in the ordinary course of business;

(iv) intercompany liabilities that would be eliminated on the consolidated balance sheet of the Issuer and its consolidated Subsidiaries;

(v) prepaid or deferred revenue arising in the ordinary course of business;

(vi) Cash Management Services;

(vii) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, 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*, *however*, 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;

(viii) obligations, to the extent such obligations would otherwise constitute Indebtedness, under any agreement that has been defeased or satisfied and discharged pursuant to the terms of such agreement;

(ix) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, deferred compensatory or employee or director equity plans, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage taxes;

(x) Capital Stock (other than Disqualified Stock of the Issuer or any Restricted Subsidiary and Preferred Stock of any Restricted Subsidiary);

(xi) Subordinated Shareholder Funding; or

(xii) 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, Consolidation, Amalgamation or Sale of all or Substantially all Assets*".

"**Independent Financial Advisor**" means an accounting, appraisal or investment banking firm or consultant, in each case of nationally recognized standing that is, in the good faith determination of the Issuer, qualified to perform the task for which it has been engaged.

"**Initial Collateral**" has the meaning assigned to such term under "*Security—General*".

"**Initial Guarantors**" has the meaning assigned to such term under "*—Guarantees*".

"**Initial Investors**" means any of (1) CEP IV Participations S.à r.l. SICAR., (2) Carlyle Partners VII Cayman Holdings, L.P. (3) Investindustrial S.A. and (4) one or more investment funds advised, managed or controlled (directly or indirectly) by the foregoing and, in each case (whether individually or as a group), any direct or indirect Subsidiaries or Affiliates of the foregoing (but excluding any operating portfolio companies of the foregoing).

"**Initial Public Company Costs**" means, as to any Person, costs relating to compliance with the provisions of the Securities Act and the Exchange Act (or similar regulations applicable in other listing jurisdictions), as applicable to companies with equity securities held by the public, costs associated with, or in anticipation of, or preparation for, compliance with the requirements of the Sarbanes Oxley Act of 2002 (or similar non-U.S. regulations) and the rules and regulations promulgated in connection therewith (or similar regulations applicable in other listing jurisdictions), the rules of national securities exchange companies with listed equity, directors' compensation, fees and expense reimbursement, costs relating to investor relations, shareholder meetings and reports to shareholders, directors' and officers' insurance and other executive costs, legal and other professional fees, and listing fees, in each case to the extent arising solely by virtue of the initial listing of such Person's equity securities on a national securities exchange (or similar non-U.S. exchange); *provided* that any such costs arising from the costs described above in respect of the ongoing operation of such Person as a listed equity or its listed debt securities following the initial listing of such Person's equity securities or debt securities, respectively, on a national securities exchange (or similar non-U.S. exchange) shall not constitute Initial Public Company Costs.

"**Initial Public Offering**" means an Equity Offering of common stock or other common equity interests of the Issuer, Flos S.p.A., B&B Italia S.p.A., Danish HoldCo, Holdings Entities, or any direct or indirect parent or Restricted Subsidiary or any successor of the Issuer or any direct or indirect parent or Restricted Subsidiary of the Issuer (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.

"**Initial Purchasers**" means J.P. Morgan AG, Goldman Sachs Bank Europe SE, and UniCredit Bank AG, collectively.

"**Intellectual Property**" means the Intellectual Property Rights owned or used by the Issuer or any Restricted Subsidiary or the interests of the Issuer or any Restricted Subsidiary in any such Intellectual Property Rights, together with the benefit of all agreements entered into or the benefit of which is enjoyed by the Issuer or any Restricted Subsidiary relating to the use or exploitation of any such Intellectual Property Rights.

"**Intellectual Property Rights**" means all patents and patent applications, trade and service marks and trade and service mark applications (and all goodwill associated with any such registrations and applications), all brand and trade names, all copyrights and rights in the nature of copyright, all design rights, all registered designs and applications for registered designs, all inventions, all trade secrets, all know-how and all other intellectual property rights.

"**Intercompany Loans**" means (i) the Flos I/C Loan, (ii) the B&B I/C Loan, (iii) the Danish HoldCo I/C Proceeds Loan and (iv) the U.S. BidCo Proceeds Loan, collectively.

"**Intercreditor Agreement**" means the intercreditor agreement dated November 16, 2018, among, *inter alios*, the Issuer, the trustee and the security agent under the Existing Notes, the lenders under the Revolving Credit Facility Agreement, each obligor in respect of the Revolving Credit Facility, as amended, restated or otherwise modified or varied from time to time, and to which the Trustee will accede on or about the Issue Date.

"**Investment Grade Securities**" means:

(1) securities issued or directly guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents),

(2) securities issued directly and fully guaranteed or insured by a member of the European Union, Switzerland or Norway or any agency or instrumentality thereof (other than Cash Equivalents),

(3) securities or instruments with a rating equal to or higher than "BBB–" from S&P, "Baa3" from Moody's or "BBB–" from Fitch or the equivalent of such rating by such rating organization or, if no rating of Moody's, Fitch or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating 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 at least 95% of its assets in investments of the type described in clauses (1), (2) and (3) above and clause (5) below which fund may also hold immaterial amounts of cash pending investment and/or distribution,

(5) corresponding instruments in countries other than the United States customarily utilized for high quality investments and in each case with maturities not exceeding two years from the date of acquisition, and

(6) 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 or above par.

"**Investment Grade Status**" shall be achieved when the Notes receive the following from at least two of the three Rating Agencies a rating equal to or higher than (1) "Baa3" (or the equivalent) by Moody's; (2) "BBB–" (or the equivalent) by S&P; (3) "BBB" (or equivalent) by Fitch, or if no rating of Moody's, S&P or Fitch then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"**Investments**" means, with respect to any Person, (i) all investments by such Person in other Persons (including Affiliates) in the form of (a) loans (including guarantees of Indebtedness), (b) advances or capital contributions (excluding accounts receivable, trade credit and advances or other payments made to customers, dealers, suppliers and distributors and payroll, commission, travel and similar advances to officers, directors, managers, employees, consultants and independent contractors made in the ordinary course of business), and (c) purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities issued by any such other Person and (ii) investments that are required by IFRS to be classified on the balance sheet of the Issuer in the same manner as the other investments included in clause (i) of this definition to the extent such transactions involve the transfer of cash or other property; *provided* that Investments shall not include, in the case of the Issuer and the Restricted Subsidiaries, intercompany loans, advances, or Indebtedness having a term not exceeding 364 days (inclusive of any roll-over or extensions of terms) and made in the ordinary course of business. If the Issuer or any Restricted Subsidiary sells or otherwise disposes of any Equity Interests of any Restricted Subsidiary, or any Restricted Subsidiary issues any Equity Interests, in either case, such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of the Issuer, the Issuer shall be deemed to have made an Investment on the date of any such sale or other disposition equal to the Fair Market Value of the Equity Interests of and all other Investments in such Restricted Subsidiary retained. In no event shall a guarantee of an operating lease of the Issuer or any Restricted Subsidiary be deemed an Investment. For purposes of the definition of "Unrestricted Subsidiary" and the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*":

(1) "Investments" shall include the portion (proportionate to the Issuer's equity interests in such Subsidiary) of the Fair Market Value of the net assets of a Subsidiary of the Issuer at the time that such Subsidiary is designated an Unrestricted Subsidiary; *provided*, *however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer shall 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 redesignation, *less*

    (b) the portion (proportionate to the Issuer's equity interests in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time of such redesignation; and

(2) any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer.

The amount of any Investment outstanding at any time (including for purposes of calculating the amount of any Investment outstanding at any time under any provision of the covenant described under "*—Certain covenants—Limitation on Restricted Payments*", and otherwise determining compliance with such covenant) shall be the original cost of such Investment (determined, in the case of any Investment made with assets of the Issuer or any Restricted Subsidiary, based on the Fair Market Value of the assets invested and without taking into account subsequent increases or decreases in value), reduced by any dividend, distribution, interest payment, return of capital, repayment or other amount received in cash by the Issuer or a Restricted Subsidiary in respect of such Investment and shall be net of any Investment by such Person in the Issuer or any Restricted Subsidiary.

"**IPO Entity**" has the meaning given in the definition of Initial Public Offering.

"**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 (or other applicable entity) at the time of closing of the Initial Public Offering multiplied by (ii) the price per shares at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"**Issue Date**" means the date of the issuance of the Notes under the Indenture, expected to be on or about May 19, 2021.

"**Issuer**" means International Design Group S.p.A., a *società per azioni* incorporated under the laws of Italy or any other Successor Company in accordance with the Indenture.

"**Italian Civil Code**" means the Italian civil code, enacted by Royal Decree No. 262 of March 16, 1942, as subsequently amended and supplemented.

"**joint venture**" means any joint venture or similar arrangement (in each case, regardless of legal formation), including but not limited to collaboration arrangements, profit sharing arrangements or other contractual arrangements.

"**JV Distributions**" means, at any time, 50% of the aggregate amount of all cash dividends or distributions received by the Issuer or any of its Restricted Subsidiaries as a return on an Investment in a Permitted Joint Venture during the period from the Existing Notes Issue Date through the end of the fiscal quarter most recently ended immediately prior to such date for which financial statements are internally available; *provided* that the Issuer or any of its Restricted Subsidiaries are not required to reinvest such dividends or distributions in the Permitted Joint Venture.

"**Lien**" means, with respect to any asset, any mortgage, lien, pledge, hypothecation, charge, security interest, preference, priority or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction); *provided* that in no event shall an operating lease or an agreement to sell be deemed to constitute a Lien.

"**Management Advances**" means loans or advances made to, or guarantees of Indebtedness of, directors, officers, employees, managers, consultants or independent contractors of any direct or indirect parent of the Issuer, the Issuer or any Restricted Subsidiary, including but not limited to:

(1) (a) in respect of travel, entertainment or moving-related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer, its Subsidiaries or any direct or indirect parent of the Issuer with (in the case of this sub-clause (b)) the approval of the Board of Directors, in each case, for bona fide or in the ordinary course of business;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office for bona fide or in the ordinary course of business; and

(3) (in the case of this clause (3)) not exceeding the greater of €5 million and 3.75% of Consolidated EBITDA in the aggregate outstanding at any time.

“**Management Agreements**” means those certain services agreements or monitoring agreements between the Issuer or any of its Affiliates, on the one hand, and any of the Initial Investors, on the other hand to be entered into in connection with the Transactions, as the same may be amended, restated, modified or replaced, from time to time, to the extent such amendment, modification or replacement is not more disadvantageous to the holders of the Notes in any material respect than the applicable services agreement or monitoring agreement entered into in connection with the Transactions.

“**Management Investors**” means (i) members of the management team of the Issuer or any of its Restricted Subsidiaries or the Target Group who invest or commit to invest, directly or indirectly, in the Issuer or any of its Restricted Subsidiaries or a direct or indirect parent of the Issuer on the Completion Date through a management equity program, (ii) persons who are or become members of the management team of the Issuer or any of its Restricted Subsidiaries or the Target or the Target's Subsidiaries following the Completion Date (other than in connection with a transaction that would otherwise be a Change of Control if such persons were not included in the definition of “Permitted Holders”) and who invest, directly or indirectly, in a direct or indirect parent of the Issuer, the Issuer or any of its Restricted Subsidiaries, the Target or the Target's Subsidiaries, through a management equity plan and (iii) any entity that may hold shares transferred by departing members of the management team of a direct or indirect parent of the Issuer or any of its Restricted Subsidiaries or the Target or the Target's Subsidiaries for future redistribution to the management team of the Issuer or any of its Restricted Subsidiaries or the Target or the Target's Subsidiaries. For the avoidance of doubt, the expression “management team” shall include, but not be limited to, any managers, officers and (executive and non-executive) directors of a direct or indirect parent of the Issuer or any of its Restricted Subsidiaries, the Target or the Target's Subsidiaries.

“**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 (or other applicable 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.

“**Maximum Fixed Repurchase Price**” means, in respect of any Disqualified Stock or Preferred Stock that does not have a fixed repurchase price, the repurchase price calculated in accordance with the terms of such Disqualified Stock or Preferred Stock as if such Disqualified Stock or Preferred Stock were purchased on any date on which Consolidated Total Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock or Preferred Stock, such fair market value shall be determined reasonably and in good faith by the Issuer.

“**Moody's**” means Moody's Investors Service, Inc. or any successor or assigns that is a Nationally Recognized Statistical Rating Organization.

“**Nationally Recognized Statistical Rating Organization**” means a nationally recognized statistical rating organization as defined in Section 3(a)(62) of the Exchange Act.

“**Net Cash Proceeds**” means the aggregate cash proceeds (using the Fair Market Value of any Cash Equivalents) received by the Issuer or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received in respect of or upon the sale or other disposition of any Designated Non-cash Consideration received in any Asset Sale and any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise, but only as and when received, and including any proceeds received as a result of unwinding any related Swap Contracts in connection with such transaction but excluding the assumption by the acquiring Person of Indebtedness relating to the disposed assets or other consideration received in any other non-cash form), net of the direct cash costs relating to such Asset Sale and the sale or disposition of such Designated Non-cash Consideration (including, without limitation, legal, accounting and investment banking fees, and brokerage and sales commissions), and any relocation expenses incurred as a result thereof, taxes paid or payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements related thereto), amounts required to be applied to the repayment of principal, premium (if any) and interest on Indebtedness required (other than pursuant to the second paragraph of the covenant described under "*—Certain Covenants—Asset Sales*") to be paid as a result of such transaction, any costs associated with unwinding any related Swap Contracts in connection with such transaction and any deduction of appropriate amounts to be provided by the Issuer or any of its Restricted Subsidiaries as a reserve in accordance with IFRS against any liabilities associated with the asset disposed of in such transaction and retained by the Issuer or any of its Restricted Subsidiaries after such sale or other disposition thereof, including, without limitation, pension and other post-employment benefit liabilities and liabilities related to environmental matters or against any indemnification obligations associated with such transaction.

"**Non-Guarantor Subsidiary**" means any Restricted Subsidiary of the Issuer that is not a Guarantor.

"**Notes Documents**" means the Notes (including Additional Notes issued from time to time), the Escrow Agreement, the Escrow Charge, the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

"**Obligations**" means any principal, interest (including any interest accruing subsequent to the filing of a petition in bankruptcy, reorganization or similar proceeding at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable state, federal or foreign law), premium, penalties, fees, indemnifications, reimbursements (including, without limitation, reimbursement obligations with respect to letters of credit and bankers' acceptances), damages and other liabilities payable under the documentation governing any Indebtedness.

"**Offering Memorandum**" means the Offering Memorandum related to this offering of Notes, dated May 19, 2021.

"**Officer**" means, with respect to any Person, the Chairman of the Board, Chief Executive Officer, Chief Financial Officer, President, any Executive Vice President, Senior Vice President or Vice President, the Treasurer or the Secretary (or any person serving the equivalent function of any of the foregoing) of such Person (or of any direct or indirect parent, general partner, managing member or sole member of such Person) or any individual designated as an "Officer" for purposes of the Indenture by the Board of Directors of such Person (or the Board of Directors of any direct or indirect parent or the general partner, managing member or sole member of such Person).

"**Officer's Certificate**" means a certificate signed on behalf of the Issuer or any direct or indirect parent of the Issuer by an Officer of such Issuer or such parent entity that meets the requirements set forth in the Indenture.

"**Opinion of Counsel**" means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Issuer.

"**Original Acquisition**" means the acquisition of Flos S.p.A., B&B Italia S.p.A. and Luminous Designs Investments ApS, collectively, by the Issuer, consummated on the Original Acquisition Completion Date.

"**Original Acquisition Completion Date**" means November 22, 2018.

"**Pari Passu Indebtedness**" means:

(1) with respect to the Issuer, the Notes and any Indebtedness that ranks *pari passu* in right of payment to the Notes; and

(2) with respect to any Guarantor, its Guarantee and any Indebtedness that ranks *pari passu* in right of payment to such Guarantor's Guarantee.

"**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 purchase and sale or exchange of Related Business Assets or a combination of Related Business Assets and cash or Cash Equivalents between the Issuer or any of its Restricted Subsidiaries and another Person; *provided* that such purchase and sale or exchange must occur within 90 days of each other and any cash or Cash Equivalents received must be applied in accordance with the covenant described under "*—Certain Covenants—Asset Sales*".

"**Permitted Collateral Liens**" means Liens on the Collateral:

(1) that are described in one or more of clauses (1), (2), (3), (4), (5), (7), (8), (12), (13), (19), (20), (28), (29), (30), (33), (36), (38), (40), (42), (43), (44), (46) and (48) of the definition of "Permitted Liens" and, in each case, arising by law or that would not materially interfere with the ability of the Security Agent to enforce the Security Interests in the Collateral;

(2) to secure:

(a) (i) the Notes issued on the Issue Date and any related Guarantees and (ii) the Existing Fixed Rate Notes and the guarantees thereof;

(b) Indebtedness the Incurrence of which would not be prohibited under the first paragraph of the covenant described under "*Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(c) Indebtedness described under clause (a) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*", which Indebtedness may be entitled to receive proceeds of an enforcement of the Collateral in priority to the Notes in a manner not materially less favorable to the holders than that accorded to the Revolving Credit Facility Agreement on the Original Acquisition Completion Date pursuant to the Intercreditor Agreement;

(d) Indebtedness described under clause (i) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*"; provided that Swap Contracts entered into with respect to any Indebtedness, the Incurrence of which would not be prohibited under the covenant described under "*Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*", may be entitled to receive proceeds of an enforcement of the Collateral in priority to the Notes in a manner not materially less favorable to the holders than that accorded to the Revolving Credit Facility Agreement on the Original Acquisition Completion Date pursuant to the Intercreditor Agreement;

(e) Indebtedness described under clause (l) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*", to the extent Incurred by a Guarantor and to the extent such guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens;

(f) Indebtedness described under clause (n) or clause (cc) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(g) Indebtedness described under clauses (c) (other than with respect to Capitalized Lease Obligations), (k) or (q) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(h) Indebtedness on a junior basis to the Notes;

(i) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (a), (b), (d), (e), (f) and (g) (other than in respect of clause (k) or (q) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*"), (h) and this clause (i); and

(3) Incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary with respect to obligations that in total do not exceed the greater of €10 million and 7.5% of Consolidated EBITDA at any one time outstanding and that (i) are not Incurred in connection with the borrowing of money and (ii) 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 clauses (2) and (3) above, each of the secured parties to any such Indebtedness (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; provided, further, that all property and assets (including, without limitation, the Collateral) securing such Indebtedness (including any guarantees thereof) or refinancing Indebtedness secure the Notes and the Indenture on a senior or pari passu basis (including by application of payment order, turnover or equalization provisions substantially consistent with the corresponding provisions set forth in the Intercreditor Agreement or any Additional Intercreditor Agreement), except to the extent provided in clauses (2)(c) and (2)(d) above.

For purposes of determining compliance with this definition, (a) Liens need not be incurred solely by reference to one category of Permitted Collateral Liens described in this definition but are permitted to be incurred in part under any combination thereof and of any other available exemption and (b) in the event that a Lien (or any portion thereof) meets the criteria of one or more of the categories of Permitted Collateral Liens, the Issuer will, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition.

"**Permitted Debt**" shall have the meaning assigned thereto in the covenant described under "*—Certain Covenants—Limitation on incurrence of Indebtedness and issuance of Disqualified Stock and Preferred Stock*".

"**Permitted Holders**" means, collectively, (1) the Initial Investors, (2) the Management Investors, (3) any Related Person of any Management Investor, (4) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any IPO Entity, acting in such capacity and (5) 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 (including any Persons mentioned in the following sentence, but excluding Persons specified in clause (4) who are not specified in clause (1), (2) or (3)) are members; provided that, in the case of such group and without giving effect to the existence of such group or any other group, the Initial Investors (or at least one of them) and such Persons referred to in the following sentence, collectively, have exclusive legal and beneficial ownership of more than 50% of the total voting power of the Voting Stock of the Issuer or any of its direct or indirect parent companies wholly owned by such group. Any Person or group, together with its Affiliates, whose acquisition of beneficial ownership constitutes (1) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture or (2) a Specified Change of Control Event, will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"**Permitted Investments**" means:

(1) any Investment in cash and Cash Equivalents, Temporary Cash Investments or Investment Grade Securities and Investments that were Cash Equivalents or Investment Grade Securities when made;

(2) any Investment in the Issuer (including the Notes and the Existing Notes) or any Restricted Subsidiary;

(3) any Investments by Subsidiaries that are not Restricted Subsidiaries in other Subsidiaries that are not Restricted Subsidiaries;

(4) any Investment by the Issuer or any Restricted Subsidiary in a Person that is primarily engaged in a Similar Business if as a result of such Investment (a) such Person becomes a Restricted Subsidiary or (b) such Person, in one transaction or a series of related transactions, is merged, consolidated or amalgamated with or into, or transfers or conveys all or substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary (and any Investment held by such Person that was not acquired by such Person in contemplation of so becoming a Restricted Subsidiary or in contemplation of such merger, consolidation, amalgamation, transfer, conveyance or liquidation);

(5) any Investment in securities or other assets received in connection with an Asset Sale made pursuant to the provisions of "*—Certain Covenants—Asset Sales*" or any other disposition of assets not constituting an Asset Sale;

(6) any Investment (x) existing on the Issue Date (with respect to the Issuer and its Restricted Subsidiaries) or the Completion Date (with respect to the Target Group), (y) made pursuant to binding commitments in effect on the Issue Date (with respect to the Issuer and its Restricted Subsidiaries on the Issue Date) or the Completion Date (with respect to the Target Group) or (z) that replaces, refinances, refunds, renews or extends any Investment described under either of the immediately preceding clauses (x) or (y), *provided* that any such Investment is in an amount that does not exceed the amount replaced, refinanced, refunded, renewed or extended, except as contemplated pursuant to the terms of such Investment in existence on the Completion Date or as otherwise permitted under this definition or the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*";

(7) loans and advances to officers, directors, employees, managers, consultants and independent contractors for business-related travel and entertainment expenses, moving and relocation expenses and other similar expenses, in each case in the ordinary course of business;

(8) any Investment (x) acquired by the Issuer or any of its Restricted Subsidiaries (a) in exchange for any other Investment or accounts receivable held by the Issuer or any such Restricted Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization by the Issuer or any such Restricted Subsidiary of such other Investment or accounts receivable, or (b) as a result of a foreclosure or other remedial action by the Issuer or any of its Restricted Subsidiaries with respect to any Investment or other transfer of title with respect to any Investment in default and (y) received in compromise or resolution of (A) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer, or (B) litigation, arbitration or other disputes;

(9) Swap Contracts and Cash Management Services permitted under clause (i) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(10) any Investment by the Issuer or any of its Restricted Subsidiaries in a Similar Business (other than an Investment in an Unrestricted Subsidiary) in an aggregate amount, taken together with all other Investments made pursuant to this clause (10) that are at the time outstanding, not to exceed the greater of (x) €45 million and (y) 33.5% of Consolidated EBITDA; *provided*, *however*, that if any Investment pursuant to this clause (10) is made in any Person that is not a Restricted Subsidiary at the date of the making of such Investment and such Person becomes a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (2) above and shall cease to have been made pursuant to this clause (10) for so long as such Person continues to be a Restricted Subsidiary;

(11) additional Investments by the Issuer or any of its Restricted Subsidiaries in an aggregate amount, taken together with all other Investments made pursuant to this clause (12) that are at the time outstanding, not to exceed the greater of (x) €45 million and (y) 33.5% of Consolidated EBITDA; *provided*, *however*, that if any Investment pursuant to this clause (11) is made in any Person that is not a Restricted Subsidiary at the date of the making of such Investment and such Person becomes a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (2) above and shall cease to have been made pursuant to this clause (11) for so long as such Person continues to be a Restricted Subsidiary;

(12) any transaction to the extent it constitutes an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "*—Certain Covenants—Transactions with Affiliates*" (except transactions described in clause (4), (5), (8), (9), (13) or (14) of such paragraph);

(13) Investments the payment for which consists of Equity Interests (other than Excluded Equity) of the Issuer or any direct or indirect parent of the Issuer, as applicable; *provided*, *however*, that such Equity Interests will not increase the amount available for Restricted Payments under clause (c) of the first paragraph of the covenant described under "*—Certain covenants—Limitation on Restricted Payments*";

(14) Investments consisting of the leasing, licensing, sublicensing or contribution of intellectual property in the ordinary course of business or pursuant to joint marketing arrangements with other Persons;

(15) Investments consisting of purchases or acquisitions of inventory, supplies, materials and equipment or purchases, acquisitions, licenses, sublicenses or leases or subleases of intellectual property, or other rights or assets, in each case in the ordinary course of business;

(16) any Investment in a Receivables Subsidiary or any Investment by a Receivables Subsidiary in any other Person in connection with a Qualified Receivables Financing or Recourse Factoring or Securitization, including Investments of funds held in accounts permitted or required by the arrangements governing such Qualified Receivables Financing or Recourse Factoring or Securitization or any related Indebtedness;

(17) Investments of a Restricted Subsidiary acquired after the Issue Date or of an entity merged or amalgamated into or consolidated with a Restricted Subsidiary in a transaction that is not prohibited by the covenant described under "*—Certain covenants—Merger, consolidation, amalgamation or sale of all or substantially all assets*" after the Issue Date to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(18) repurchases of the Notes (including any Additional Notes) or the Existing Notes;

(19) guarantees of Indebtedness the Incurrence of which would not be prohibited to be Incurred under "*—Certain covenants—Limitation on incurrence of Indebtedness and issuance of Disqualified Stock and Preferred Stock*", and Obligations relating to such Indebtedness and guarantees (other than guarantees of Indebtedness), keepwells and similar arrangements in the ordinary course of business;

(20) advances, loans or extensions of trade credit in the ordinary course of business by the Issuer or any of its Restricted Subsidiaries;

(21) Investments consisting of purchases and acquisitions of assets or services in the ordinary course of business;

(22) Investments in the ordinary course of business consisting of Uniform Commercial Code Article 3 endorsements for collection or deposit and Uniform Commercial Code Article 4 customary trade arrangements with customers;

(23) intercompany current liabilities owed to Unrestricted Subsidiaries or joint ventures Incurred in the ordinary course of business in connection with the cash management operations of the Issuer and its Subsidiaries;

(24) Investments in joint ventures of the Issuer or any of its Restricted Subsidiaries in an aggregate amount, taken together with all other Investments made pursuant to this clause (24) that are at the time outstanding, not to exceed the greater of (x) €20 million and (y) 15% of Consolidated EBITDA; *provided* that the Investments permitted pursuant to this clause (24) may be increased by the amount of JV Distributions, without duplication of dividends or distributions increasing amounts available pursuant to clause (c) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*";

(25) the Transactions (including payment of the purchase consideration under the Acquisition Agreement);

(26) accounts receivable, security deposits and prepayments and other credits granted or made in the ordinary course of business and any Investments received in satisfaction or partial satisfaction thereof from financially troubled account debtors and others, including in connection with the bankruptcy or reorganization of, or settlement of delinquent accounts and disputes with or judgments against, such account debtors and others, in each case in the ordinary course of business;

(27) Investments acquired as a result of a foreclosure by the Issuer or any Restricted Subsidiary with respect to any secured Investments or other transfer of title with respect to any secured Investment in default;

(28) Investments resulting from pledges and deposits that are Permitted Liens or Permitted Intellectual Property Liens;

(29) acquisitions of obligations of one or more officers or other employees of any direct or indirect parent of the Issuer, the Issuer or any Subsidiary of the Issuer in connection with such officer's or employee's acquisition of Equity Interests of any direct or indirect parent of the Issuer, so long as no cash is actually advanced by the Issuer or any Restricted Subsidiary to such officers or employees in connection with the acquisition of any such obligations;

(30) guarantees of operating leases or of other obligations that do not constitute Indebtedness, in each case, entered into by the Issuer or any Restricted Subsidiary in the ordinary course of business;

(31) Investments consisting of the redemption, purchase, repurchase or retirement of any Equity Interests permitted by the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*";

(32) non-cash Investments made in connection with tax planning and reorganization activities, including in connection with a Permitted Reorganization;

(33) Investments made pursuant to obligations entered into when the Investment would have been permitted under the Indenture so long as such Investment when made reduces the amount available under the clause under which the Investment would have been permitted;

(34) Investments made in the ordinary course of business in connection with obtaining, maintaining or renewing client and customer contracts and loans or advances made to, and guarantees with respect to obligations of, distributors, suppliers, licensors and licensees in the ordinary course of business;

(35) Management Advances;

(36) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any direct or indirect parent of the Issuer as consideration; and

(37) Investments in loans under the Revolving Credit Facility Agreement and any future proceeds loan from the Issuer to a Restricted Subsidiary under an agreement and other Indebtedness of the Issuer or a Restricted Subsidiary permitted by the Indenture.

"**Permitted Joint Venture**" means, with respect to any specified Person, a joint venture in any other Person engaged in a Similar Business in respect of which the Issuer or a Restricted Subsidiary beneficially owns at least 35% of the shares of Equity Interests of such Person.

"**Permitted Liens**" means, with respect to any Person:

(1) Liens Incurred in connection with workers' compensation laws, unemployment insurance laws or similar legislation, or in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or to secure public or statutory obligations of such Person or to secure surety, stay, customs or appeal bonds to which such Person is a party, or as security for contested taxes or import duties or for the payment of rent, in each case Incurred in the ordinary course of business (including Liens to secure letters of credit issued to assure payment of such obligations);

(2) Liens imposed by law, such as carriers', warehousemen's, landlords', materialmen's, repairman's, construction contractors', mechanics' or other like Liens, in each case for sums not yet overdue by more than 60 days or being contested in good faith by appropriate proceedings or other Liens arising out of judgments or awards against such Person with respect to which such Person shall then be proceeding with an appeal or other proceedings for review (or which, if due and payable, are being contested in good faith by appropriate proceedings and for which adequate reserves are being maintained, to the extent required by IFRS) or with respect to which the failure to make payment could not reasonably be expected to have a material adverse effect as determined in good faith by management of the Issuer or a direct or indirect parent of the Issuer;

(3) Liens for taxes, assessments or other governmental charges or levies (i) which are not yet due or payable, (ii) which are being contested in good faith by appropriate proceedings and for which adequate reserves are being maintained to the extent required by IFRS, or for property taxes on property such Person or one of its Subsidiaries has determined to abandon if the sole recourse for such tax, assessment, charge, levy or claim is to such property or (iii) with respect to which the failure to make payment could not reasonably be expected to have a material adverse effect as determined in good faith by management of the Issuer or a direct or indirect parent of the Issuer;

(4) Liens in favor of the issuers of performance and surety bonds, bid, indemnity, warranty, release, appeal or similar bonds or with respect to regulatory requirements or letters of credit or bankers' acceptances issued and completion of guarantees provided for, in each case, pursuant to the request of and for the account of such Person in the ordinary course of its business;

(5) survey exceptions, encumbrances, ground leases, easements or reservations of, or rights of others for, licenses, rights-of-way, servitudes, sewers, electric lines, drains, telegraph and telephone and cable television lines, gas and oil pipelines and other similar purposes, or zoning, building codes or other restrictions (including, without limitation, 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 such Person or to the ownership of its properties which do not in the aggregate materially adversely interfere with the ordinary conduct of the business of such Person;

(6) Liens (a) existing on, or provided for or required to be granted on, the Issue Date or (b) with respect to the Target Group, (i) existing on, or provided for or required to be granted on the Completion Date, including in connection with the Transactions and (ii) securing Indebtedness for borrowed money that will be repaid and discharged in connection with the Transactions;

(7) Liens on assets of, or Equity Interests in, a Person at the time such Person becomes a Subsidiary (other than liens described in clause (6) above); *provided*, *however*, that such Liens are not created or Incurred in connection with, or in contemplation of, such other Person becoming such a Subsidiary; *provided*, *further*, that such Liens are limited to all or a portion of the assets (and improvements on such assets) that secured (or, under the written arrangements under which the Liens arose, could secure) the obligations to which such Liens relate; *provided*, *further*, that for purposes of this clause (7), if a Person becomes a Subsidiary, any Subsidiary of such Person shall be deemed to become a Subsidiary of the Issuer, and any assets of such Person or any Subsidiary of such Person shall be deemed acquired by the Issuer at the time of such merger, amalgamation or consolidation;

(8) Liens on assets at the time the Issuer or any of its Restricted Subsidiary acquired the assets, including any acquisition by means of a merger, amalgamation or consolidation with or into the Issuer or such Restricted Subsidiary (other than liens described in clause (6) above); *provided*, *however*, that such Liens are not created or Incurred in connection with, or in contemplation of, such acquisition; *provided*, *further*, that such Liens are limited to all or a portion of the assets (and improvements on such assets) that secured (or, under the written arrangements under which the Liens arose, could secure) the obligations to which such Liens relate; *provided*, *further*, that for purposes of this clause (8), if, in connection with an acquisition by means of a merger, amalgamation or consolidation with or into the Issuer or any Restricted Subsidiary, a Person other than the Issuer or a Restricted Subsidiary is the successor company with respect thereto, any Subsidiary of such Person shall be deemed to become a Subsidiary of the Issuer or any Restricted Subsidiary, and any assets of such Person or any such Subsidiary of such Person shall be deemed acquired by the Issuer or any Restricted Subsidiary, at the time of such merger, amalgamation or consolidation;

(9) Liens securing Indebtedness or other obligations of the Issuer or a Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary;

(10) Liens securing Swap Contracts Incurred in compliance with the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock";

(11) Liens on specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances or letters of credit entered into in the ordinary course of business issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(12) leases, subleases, licenses, sublicenses, occupancy agreements or assignments of or in respect of real or personal property;

(13) Liens arising from, or from Uniform Commercial Code financing statement filings regarding, operating leases or consignments entered into by the Issuer and any of its Restricted Subsidiaries in the ordinary course of business;

(14) Liens in favor of the Issuer or any of its Restricted Subsidiaries;

(15) (i) Liens on accounts receivable and related assets of the type specified in the definition of "Receivables Financing" Incurred in connection with a Qualified Receivables Financing; (ii) Liens securing Indebtedness or other obligations of any Receivables Subsidiary and (iii) Liens securing Indebtedness Incurred pursuant to clause (u)(ii) under the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(16) deposits made or other security provided in the ordinary course of business to secure liability to insurance carriers or under self-insurance arrangements in respect of such obligations;

(17) Liens on the Equity Interests or other securities or assets of Unrestricted Subsidiaries;

(18) grants of software and other technology licenses;

(19) judgment and attachment Liens not giving rise to an Event of Default pursuant to clause (4), (5) or (6) of the first paragraph of "*—Defaults*" and notices of *lis pendens* and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(20) 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;

(21) Liens Incurred to secure Cash Management Services and other bank products (including those described in clauses (i) and (v) of the definition of "Permitted Debt");

(22) Liens securing 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 being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(23) other Liens securing obligations the principal amount of which does not exceed the greater of (x) €35 million and (y) 26% of Consolidated EBITDA, at any one time outstanding;

(24) (i) Liens on the Equity Interests or assets of a joint venture to secure Indebtedness of such joint venture Incurred pursuant to clause (t) of the definition of "Permitted Debt;" and (ii) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;

(25) Liens on equipment of the Issuer or any Restricted Subsidiary granted in the ordinary course of business to such Issuer's or such Restricted Subsidiary's client at which such equipment is located;

(26) (i) Liens created for the benefit of (or to secure) all of the Notes or the related Guarantees; (ii) Liens pursuant to the Intercreditor Agreement and the security documents entered into pursuant to the Indenture or the Revolving Credit Facility Agreement, (iii) 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, (iv) Liens to secure Indebtedness where the granting of an equal and ratable (or prior) Lien on such property or assets to secure the Notes would be inconsistent with the Agreed Security Principles and (v) Permitted Collateral Liens;

(27) Liens on property or assets used to redeem, repay, defease or to satisfy and discharge Indebtedness; *provided* that such redemption, repayment, defeasance or satisfaction and discharge is not prohibited by the Indenture;

(28) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation and exportation of goods in the ordinary course of business;

(29) Liens (i) of a collection bank arising under Section 4-210 of the Uniform Commercial Code, or any comparable or successor provision, on items in the course of collection; (ii) attaching to pooling, commodity trading accounts or other commodity brokerage accounts Incurred in the ordinary course of business; and (iii) in favor of banking or other financial institutions or entities, or electronic payment service providers, arising as a matter of law encumbering deposits (including the right of set-off) and which are within the general parameters customary in the banking or finance industry;

(30) Liens that are contractual rights of set-off (i) relating to the establishment of depository relations with banks or other Persons not given in connection with the issuance of

Indebtedness; (ii) relating to pooled deposit or sweep accounts of the Issuer or any of its Restricted Subsidiaries to permit satisfaction of overdraft or similar obligations Incurred in the ordinary course of business of the Issuer and its Restricted Subsidiaries; or (iii) relating to purchase orders and other agreements entered into with customers of the Issuer or any of its Restricted Subsidiaries in the ordinary course of business;

(31) any encumbrance or restriction (including put and call arrangements) with respect to Equity Interests of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(32) Liens on insurance policies and the proceeds thereof securing the financing of the premiums with respect thereto;

(33) Liens on vehicles or equipment of the Issuer or any of its Restricted Subsidiaries granted in the ordinary course of business;

(34) Liens on assets or property of a Non-Guarantor Subsidiary securing Indebtedness of any Non-Guarantor Subsidiary or the Issuer permitted by the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(35) Liens disclosed by the title insurance policies delivered on or subsequent to the Issue Date and any replacement, extension or renewal of any such Liens (so long as the Indebtedness and other obligations secured by such replacement, extension or renewal Liens are permitted by the Indenture); *provided* that such replacement, extension or renewal Liens do not cover any property other than the property that was subject to such Liens prior to such replacement, extension or renewal;

(36) Liens arising solely by virtue of any statutory or common law provision or customary business provision relating to banker's liens, rights of set-off or similar rights;

(37) (a) Liens solely on any cash earnest money deposits made by the Issuer or any Restricted Subsidiary in connection with any letter of intent or other agreement in respect of any Permitted Investment and (b) Liens on advances of cash or Cash Equivalents in favor of the seller of any property to be acquired in a Permitted Investment to be applied against the purchase price for such Investment;

(38) the prior rights of consignees and their lenders under consignment arrangements entered into in the ordinary course of business;

(39) Liens on securities that are the subject of repurchase agreements constituting Cash Equivalents under clause (4) of the definition thereof;

(40) Liens 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 and not for speculative purposes;

(41) rights reserved or vested in any Person by the terms of any lease, license, franchise, grant or permit held by the Issuer or any of its Restricted Subsidiaries 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;

(42) restrictive covenants affecting the use to which real property may be put; *provided* that the covenants are complied with;

(43) security given to a public utility or any municipality or governmental authority when required by such utility or authority in connection with the operations of that Person in the ordinary course of business;

(44) zoning by-laws and other land use restrictions, including, without limitation, site plan agreements, development agreements and contract zoning agreements;

(45) Liens on cash proceeds (including, for the avoidance of doubt, the Escrowed Proceeds) of Indebtedness (and on the related escrow accounts) in connection with the issuance of such Indebtedness into (and pending the release from) a customary escrow arrangement, to the extent such Indebtedness is Incurred in compliance with the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(46) (i) Liens 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 other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under clause (c) of the second paragraph of the covenant described above under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" and (b) any such Lien 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 or (ii) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(47) for purposes of cash management arrangements among the Issuer and its Restricted Subsidiaries, Liens Incurred to secure back-to-back reimbursement obligations for working capital enhancement or other similar arrangements, the aggregate principal amount of which obligations or arrangements do not exceed €100 million at any one time outstanding;

(48) (i) 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 (ii) any condemnation or eminent domain proceedings affecting any real property.

For purposes of determining compliance with this definition, (x) a Lien need not be Incurred solely by reference to one category of Permitted Liens described in this definition but may be Incurred under any combination of such categories (including in part under one such category and in part under any other such category) and (y) in the event that a Lien (or any portion thereof) meets the criteria of one or more of such categories of Permitted Liens, the Issuer shall, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition.

"**Permitted Reorganization**" means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction, in each case, including all transactions related thereto involving the Issuer or any Restricted Subsidiary (a "Reorganization") that is made on a solvent basis; *provided* that:

(1) any payments or assets distributed in connection with such Reorganization remain within the Issuer and the Restricted Subsidiaries; and

(2) if any shares or other assets of an entity subject to reorganization form part of the Collateral, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Collateral.

Promptly upon consummation of a Permitted Reorganization, the Issuer will file with the Trustee a copy of the resolution of the Board of Directors of the Issuer or the applicable Restricted Subsidiary authorizing such Permitted Reorganization and an Officer's Certificate certifying that such Permitted Reorganization complied with the terms of the Indenture and did not result in a Default or Event of Default.

"**Person**" means any individual, corporation, company, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization, government (or any agency or political subdivision thereof) or any other entity.

"**Post Completion Date Collateral**" has the meaning assigned to such term under "*Security—General*".

"**Post Issue Date Collateral**" has the meaning assigned to such term under "*Security—General*".

"**Preferred Stock**" means any Equity Interest with preferential right of payment of dividends or upon liquidation, dissolution or winding up.

"**Pro Forma Basis**" and ***"pro forma effect"*** mean, with respect to the calculation of any test, financial ratio, basket or covenant under the Indenture, including the Consolidated EBITDA, the Consolidated Senior Secured Net Debt Ratio, the Consolidated Total Net Debt Ratio and the Fixed Charge Coverage Ratio of any Person and its Restricted Subsidiaries, as of any date, that pro forma effect will be given to the Transactions, any acquisition, merger, amalgamation, consolidation, Investment, any issuance, Incurrence, assumption or repayment or redemption of Indebtedness (including Indebtedness issued, Incurred or assumed or repaid or redeemed as a result of, or to finance, any relevant transaction and for which any such definition, test, financial ratio, basket or covenant is being calculated), any issuance or redemption of Preferred Stock or Disqualified Stock, all sales, transfers and other dispositions or discontinuance of any Subsidiary, line of business, division, segment or operating unit, any operational change (including the entry into, amendment or renegotiation of any material contract or arrangement) or any designation of a Restricted Subsidiary to an Unrestricted Subsidiary or of an Unrestricted Subsidiary to a Restricted Subsidiary, in each case that have occurred during the four consecutive fiscal quarter period of such Person being used to calculate such test, financial ratio, basket or covenant (the "Reference Period"), or subsequent to the end of the Reference Period but prior to such date or prior to or substantially simultaneously with the event for which a determination under this definition is made (including (i) any such event occurring at a Person who became a Restricted Subsidiary of the subject Person or was merged, amalgamated or consolidated with or into the subject Person or any other Restricted Subsidiary of the subject Person after the commencement of the Reference Period and (ii) with respect to any proposed Investment or acquisition of the subject Person for which committed financing is or is sought to be obtained, the event for which a determination under this definition is made may occur after the date upon which the relevant determination or calculation is made), in each case, as if each such event occurred on the first day of the Reference Period; *provided* that (x) pro forma effect will be given to reasonably identifiable and quantifiable pro forma synergies and cost savings or expense reductions related to operational efficiencies (including the entry into, amendment or renegotiation of any material contract or arrangement), strategic initiatives or purchasing improvements and other cost savings, improvements, in each case, that have been realized, or reasonably expected to be realized, by such Person and its Restricted Subsidiaries as if such cost savings, expense reductions, improvements and synergies occurred on the first day of the Reference Period and (y) no amount shall be added back pursuant to this definition to the extent duplicative of amounts that are otherwise included in computing Consolidated EBITDA for such Reference Period.

For purposes of making any computation referred to above:

(1) if any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the date for which a determination under this definition is made had been the applicable rate for the entire period (taking into account any Swap Contracts applicable to such Indebtedness if such Swap Contract has a remaining term in excess of 12 months);

(2) interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer, in his or her capacity as such and not in his or her personal capacity, of the Issuer or a direct or indirect parent of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS, subject to the Election Option;

(3) 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 deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as the Issuer may designate;

(4) interest on any Indebtedness under a revolving credit facility or a Qualified Receivables Financing computed on a pro forma basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period;

(5) for purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed on a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the reference period except as set forth in the definition of "Fixed Charge Coverage Ratio"; and

(6) to the extent not already covered above, any such calculation may include adjustments calculated in accordance with Regulation S-X under the Securities Act.

Any pro forma calculation may include, without limitation, (1) adjustments calculated in accordance with Regulation S-X under the Securities Act, (2) adjustments calculated to give effect to any Pro Forma Cost Savings and (3) all adjustments of the type used in connection with (A) the calculation of "Adjusted EBITDA" and "Target Group Synergized EBITDA" (or similar *pro forma* non-IFRS measures) as set forth in the section entitled "*Summary—Summary Pro Forma and Historical Financial Information and Other Data—Target Group Synergized EBITDA and Pro Forma Other Financial Information*" of the offering memorandum relating to the Existing Notes dated November 9, 2018 and (B) the calculation of "Adjusted EBITDA", "Synergized EBITDA" and "Pro Forma Synergized EBITDA" (or similar *pro forma* non-IFRS measures) as set forth in the section entitled "*Summary—Summary Historical Financial Information and Other Data—Other Financial and Pro Forma Data*" of this Offering Memorandum, in each case without duplication and to the extent such adjustments continue to be applicable to the Reference Period; *provided* that any such adjustments that consist of synergies or reductions in costs and other operating improvements shall be calculated in accordance with, and satisfy the requirements specified in, the definition of "Pro Forma Cost Savings".

"**Pro Forma Cost Savings**" means, without duplication of any amounts referenced in the definition of "Pro Forma Basis", an amount equal to the amount of cost savings, operating expense reductions, restructuring charges and expenses, operating improvements (including the entry into, amendment or renegotiation of any material contract or arrangement) and any acquisition (including the Transactions), disposition, divestiture or restructuring synergies, in each case, projected in good faith to be realized (calculated on a pro forma basis as though such items had been realized on the first day of such period) as a result of actions taken or to be taken by the Issuer (or any successor thereto) or any Restricted Subsidiary, net of the amount of actual benefits realized or expected to be realized during such period that are otherwise included in the calculation of Consolidated EBITDA from such actions; *provided* that such cost savings, operating expense reductions, operating improvements and synergies are reasonably identifiable (as determined in good faith by a responsible financial or accounting officer, in his or her capacity as such and not in his or her personal capacity, of the Issuer (or any successor thereto) or of any direct or indirect parent of the Issuer) that is expected to result in such cost savings, expense reductions, operating improvements or synergies; *provided* that no cost savings, operating expense reductions, operating improvements and synergies shall be added pursuant to this definition to the extent duplicative of any expenses or charges otherwise added to Consolidated Net Income or Consolidated EBITDA, whether through a pro forma adjustment, add back exclusion or otherwise, for such period.

"**Public Market**" means any time after (1) an Equity Offering has been consummated and (2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €50.0 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

“**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).

“**Qualified Receivables Financing**” means any Receivables Financing of a Receivables Subsidiary that meets the following conditions:

(1) the Board of Directors of the Issuer or any direct or indirect parent of the Issuer shall have determined in good faith that such Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and its Restricted Subsidiaries,

(2) all sales of accounts receivable and related assets by the Issuer or any Restricted Subsidiary to the Receivables Subsidiary are made at Fair Market Value (as determined in good faith by the Issuer), and

(3) the financing terms, covenants, termination events and other provisions thereof shall be market terms at the time the Receivables Financing is first introduced (as determined in good faith by the Issuer) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Issuer or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) to secure any Credit Agreement shall not be deemed a Qualified Receivables Financing.

“**Rating Agency**” means (1) each of Moody’s, Fitch and S&P and (2) if Moody’s, Fitch or S&P ceases to rate the Notes for reasons outside of the Issuer’s control, any Nationally Recognized Statistical Rating Organization selected by the Issuer or any direct or indirect parent of the Issuer as a replacement agency for Moody’s, Fitch or S&P, as the case may be.

“**Receivables Fees**” means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

“**Receivables Financing**” means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries may sell, contribute, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by the Issuer or any of its Subsidiaries), and (b) any other Person (in the case of a transfer by the Issuer or any of its Subsidiaries), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Issuer or any of its Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving accounts receivable and any Swap Contracts entered into by the Issuer or any such Subsidiary in connection with such accounts receivable.

“**Receivables Repurchase Obligation**” means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables 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, off-set 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.

“**Receivables Subsidiary**” means a Restricted Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer in which the Issuer or any Subsidiary of the Issuer or a direct or indirect parent of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer or a direct or indirect parent of the Issuer transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries or a direct or indirect parent of the Issuer and all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Issuer or any direct or indirect parent of the Issuer (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Issuer or any other Subsidiary of the Issuer (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is recourse to or obligates the Issuer or any other Subsidiary of the Issuer in any way other than pursuant to Standard Securitization Undertakings, or (iii) subjects any property or asset of the Issuer or any other Subsidiary of the Issuer, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings,

(2) with which neither the Issuer nor any other Subsidiary of the Issuer has any material contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer, and

(3) to which neither the Issuer nor any other Subsidiary of the Issuer has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Issuer or any direct or indirect parent of the Issuer shall be evidenced to the Trustee by filing with the Trustee a certified copy of the resolution of the Board of Directors of the Issuer or any direct or indirect parent of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"**Recognized Stock Exchange**" means a regulated market operated by any of the Main Market of the London Stock Exchange, the New York Stock Exchange, NASDAQ, the Milan Stock Exchange, the Hong Kong Stock Exchange or such other similar regulated national securities exchange.

"**Recourse Factoring or Securitization**" means any transactions or series of transactions involving the sale, assignment, discount of receivables of the Issuer or any of its Restricted Subsidiaries to, or other equivalent or similar form of receivables financing with, banks or other financial institutions or special purpose entities formed to borrow from such institutions against such receivables, including on a *pro solvendo* basis, for which the Issuer or any of its Restricted Subsidiaries (1) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (2) is directly liable as a guarantor or otherwise (including, without limitation, with respect to guarantees on existence of title or otherwise); provided that, for the avoidance of doubt, any non-recourse "*pro-soluto*" factoring or receivables financings to the extent meeting the requirements to be fully derecognized from the financial statements of the Issuer or any of its Restricted Subsidiaries pursuant to IFRS shall in no event be deemed to constitute a Recourse Factoring or Securitization under the Indenture.

"**Refinancing**" has the meaning ascribed to it under "*Summary—The Transactions—The Refinancing*".

"**Refinancing Expenses**" means , in connection with any refinancing of any Indebtedness, Disqualified Stock or Preferred Stock otherwise permitted by the Indenture, the aggregate principal amount of additional Indebtedness, Disqualified Stock or Preferred Stock Incurred to pay (1) accrued and unpaid interest, (2) the increased principal amount of any Indebtedness being refinanced resulting from the in-kind payment of interest on such Indebtedness (or in the case of Disqualified Stock or Preferred Stock being refinanced, additional shares of such Disqualified Stock or Preferred Stock); (3) the aggregate amount of original issue discount on the Indebtedness, Disqualified Stock or Preferred Stock being refinanced; (4) premiums (including tender premiums) and other costs associated with the redemption, repurchase, retirement, discharge or defeasance of Indebtedness, Disqualified Stock or Preferred Stock being refinanced, and (5) all fees and expenses (including underwriting discounts, commitment, ticking and similar fees, expenses and discounts) associated with the repayment of the Indebtedness, Disqualified Stock or Preferred Stock being refinanced and the incurrence of the Indebtedness, Disqualified Stock or Preferred Stock incurred in connection with such refinancing.

"**Refinancing Indebtedness**" means Indebtedness Incurred or Disqualified Stock or Preferred Stock issued that is Incurred or issued to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness, Disqualified Stock or Preferred Stock existing on the Issue Date or Incurred in compliance with the Indenture (including Indebtedness of a Restricted Subsidiary that refinances Indebtedness of the Issuer and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided*, *however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the refinancing Indebtedness has a final stated maturity at the time such refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the Stated Maturity of the Notes;

(2) such refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (which, in the case of bridge loans or extendable bridge loans or other interim debt, shall be determined by reference to the notes or loans into which such bridge loans or extendable bridge loans or other interim debt would have been converted or for which such bridge loans or extendable bridge loans or interim debt would have been exchanged at maturity and will be subject to other customary offers to repurchase or mandatory prepayments upon a change of control, asset sale or event of loss and customary acceleration rights after an event of default) (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes or Guarantees, such refinancing Indebtedness is subordinated to the Notes or such Guarantees, as applicable, on terms at least as favorable to the holders as those contained in the documentation governing the Indebtedness being refinanced,

provided further, *however*, that Refinancing Indebtedness shall not include (i) Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary or (ii) Indebtedness of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness of the Issuer or a Guarantor.

Refinancing Indebtedness in respect of any Credit Agreement or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Agreement or other Indebtedness.

"**Related Business Assets**" means assets (other than cash or Cash Equivalents) used or useful in a Similar Business; *provided* that any assets received by the Issuer or a Restricted Subsidiary in exchange for assets transferred by the Issuer or a Restricted Subsidiary will not be deemed to be Related Business Assets if they consist of securities of a Person, unless such Person is, or upon receipt of the securities of such Person, such Person would become a Restricted Subsidiary.

"**Related Person**" with respect to any Permitted Holder, means:

(1) any controlling equity holder, majority (or more) owned Subsidiary or partner or member of such Person;

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof;

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"**Related Taxes**" means any taxes, charges or assessments, including, but not limited to, 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, charges or assessments (other than income taxes), required to be paid by a Holdings Entity or any other direct or indirect parent of the Issuer by virtue of (i) its being incorporated or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than the Issuer, any of its Subsidiaries or any other direct or indirect parent of the Issuer), (ii) issuing or holding Subordinated Shareholder Funding, (iii) being a holding company parent of the Issuer, any of its Subsidiaries or any other direct or indirect parent of the Issuer, (iv) receiving dividends from or other distributions in respect of the Capital Stock of the Issuer, any of its Subsidiaries or any other direct or indirect parent of the Issuer, (v) having guaranteed any obligations of the Issuer or any Subsidiary thereof, or having made any payment in respect of any of the items for which the Issuer or any of its Subsidiaries is permitted to make payments to any parent entity pursuant to the covenant described under "*—Certain covenants—Limitation on Restricted Payments*", or (vi) acquiring, developing, maintaining, owning, prosecuting, protecting or defending its intellectual property and associated rights (including but not limited to receiving or paying royalties for the use thereof) relating to the business or businesses of the Issuer or any Subsidiary thereof.

"**Replacement Assets**" means (1) substantially all the assets of a Person primarily engaged in a Similar Business or (2) a majority of the Voting Stock of any Person primarily engaged in a Similar Business that will become, on the date of acquisition thereof, a Restricted Subsidiary.

"**Restricted Investment**" means an Investment other than a Permitted Investment.

"**Restricted Subsidiary**" means any Subsidiary of a Person other than an Unrestricted Subsidiary of such Person. Unless otherwise indicated in this "*Description of Notes*", all references to Restricted Subsidiaries shall mean Restricted Subsidiaries of the Issuer.

"**Revolving Credit Facility**" means the super senior revolving credit facility established pursuant to the Revolving Credit Facility Agreement.

"**Revolving Credit Facility Agreement**" means the super senior revolving credit facility agreement dated November 9, 2018, among, *inter alios*, the Issuer, the arrangers (as named therein), UniCredit S.p.A. as agent and security agent, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

"**S&P**" means Standard & Poor's Ratings Services, a division of McGraw Hill, Inc., or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"**Sale/Leaseback Transaction**" means an arrangement relating to property now owned or hereafter acquired by the Issuer or a Restricted Subsidiary whereby the Issuer or a Restricted Subsidiary transfers such property to a Person and the Issuer or such Restricted Subsidiary leases it from such Person, other than leases between the Issuer and a Restricted Subsidiary or between Restricted Subsidiaries.

"**SEC**" means the U.S. Securities and Exchange Commission.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"**Security Documents**" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Indenture.

"**Security Interests**" means the security interests in the Collateral that are created by the Security Documents.

"**Senior Secured Indebtedness**" means, without double-counting, any Indebtedness and any Reserved Indebtedness Amount, in each case, secured by a Lien on the Collateral on a basis *pari passu* with or senior to the security in favor of the Notes or the Guarantees.

"**Significant Subsidiary**" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Issuer's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Issuer's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Issuer's and its Restricted Subsidiaries' proportionate share of the Consolidated EBITDA of the Restricted Subsidiary exceeds 10% of the Consolidated EBITDA of the Issuer and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"**Similar Business**" means (a) any business engaged or proposed to be engaged in by the Issuer or any of its Restricted Subsidiaries on the Issue Date or any member of the Target Group on the Completion Date and (b) any business, services or other activities that are similar, ancillary, complementary, incidental or related to, or an extension, development or expansion of, any of the foregoing.

"**Spanish Capital Companies Act**" means the Spanish capital companies act (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*), as amended from time to time.

"**Specified Change of Control Event**" means a Change of Control *provided* that immediately prior to the occurrence of such event and immediately thereafter and, in each case, giving *pro forma* effect thereto (including receipt of any proceeds and repayment of any Indebtedness in connection therewith) the Consolidated Total Net Debt Ratio of the Issuer is less than 5.25 to 1.00. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Indenture after the Original Acquisition Completion Date.

"**Specified Consolidated Total Net Debt Ratio**" means 3.50 to 1.00.

"**Specified Sponsors Overfunding Amount**" means the amount, if any, not to exceed €30 million, contributed (directly or indirectly) by one or more Initial Investors to the Issuer and not used to consummate the Original Acquisition as evidenced to exist on the Original Acquisition Completion Date and as reduced from time to time when applied in accordance with clause 7(B) of the third paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*".

"**Standard Securitization Undertakings**" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the

Issuer which the Issuer has determined in good faith to be customary in a Receivables Financing including, without limitation, those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"**Stated Maturity**" means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency, has occurred).

"**Subordinated Indebtedness**" means (a) with respect to the Issuer, any Indebtedness of the Issuer which is by its terms expressly subordinated in right of payment to the Notes, and (b) with respect to any Guarantor, any Indebtedness of such Guarantor which is by its terms expressly subordinated in right of payment to its Guarantee.

"**Subordinated Shareholder Funding**" means, collectively, any funds provided to the Issuer by any direct or indirect parent, any Affiliate of any direct or indirect parent or any Permitted Holder or any Affiliate thereof (in each case, other than the Issuer or any of its Subsidiaries), 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*, *however*, 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 first anniversary of 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 first anniversary of 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 first anniversary of 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 first anniversary of 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 first anniversary of 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 first anniversary of 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; and

(5) pursuant to its terms or the terms of the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes 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 Original Acquisition Completion Date with respect to the "Subordinated Liabilities" (as defined therein, *mutatis mutandis*).

"**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 the Voting Stock 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, (2) any partnership, joint venture, limited liability company or similar entity of which (x) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and 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 (y) such Person or any Restricted Subsidiary of such Person is a controlling general partner or otherwise controls such entity and (3) any Person that is consolidated in the consolidated financial statements of the specified Person in accordance with IFRS.

"**Swap Contract**" means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement, including any obligations or liabilities under any such master agreement.

"**Target**" or "**YDesign**" means YDesign Group, LLC, a Delaware limited liability company.

"**Target Group**" means collectively, the Target and its Subsidiaries.

"**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) Switzerland or Norway, (iv) 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 (v) 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, "A" by Fitch or "A-1" by Moody's (or, in each case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch 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 Credit Facility Agreement;

 (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 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A–" by S&P or Fitch or "A-3" by Moody's (or, in each case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch 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 a Restricted Subsidiary or the Issuer), with a rating at the time as of which any Investment therein is made of "P-3" (or higher) according to Moody's or "A-3" (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 year after the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States of America, Canada, any European Union member state or Switzerland, Norway 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, Canada, a member state of the European Union, 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 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A–" by S&P or Fitch or "A-3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch 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 95% 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.

"**Transaction Expenses**" means any fees, costs, expenses, charges Incurred or paid by the Issuer or any Restricted Subsidiary in connection with the Transactions, including any fees, costs, expenses and charges associated with settling any claims or action arising from a dissenting stockholder exercising its appraisal rights.

"**Transactions**" means all the transactions (and the transactions related thereto) as described in this Offering Memorandum under "*Summary—The Transactions*", including all transactions described in the definition of the "Transactions" in this Offering Memorandum.

"**Trust Officer**" means any officer within the corporate trust administration department of the Trustee, with direct responsibility for performing the Trustee's duties under the Indenture and also means, with respect to a particular corporate trust matter relating to the Indenture, any other officer of the Trustee to whom such matter is referred because of such person's knowledge of and familiarity with the particular subject.

"**Unrestricted Subsidiary**" means:

(1) any Subsidiary of the Issuer that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of the Issuer or any direct or indirect parent of the Issuer in the manner provided below; and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of 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:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or a Guarantor or any other Subsidiary of the Issuer that is not a Subsidiary to be so designated; and

(2) such designation and the Investment of the Issuer or the relevant Restricted Subsidiary in such Subsidiary would not be prohibited under "*Certain Covenants—Limitation on Restricted Payments*".

The Board of Directors of the Issuer or any direct or indirect parent of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided*, *however*, that immediately after giving effect to such designation:

(1) the Issuer could Incur €1.00 of additional Indebtedness under the Fixed Charge Coverage Ratio in the first paragraph of the covenant described under "*Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*", or

(2) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would be equal to or greater than such ratio for the Issuer and its Restricted Subsidiaries immediately prior to such designation,

in each case on a Pro Forma Basis taking into account such designation, and (y) no Event of Default shall have occurred and be continuing as a result of such designation.

Any such designation by the Board of Directors of the Issuer or any direct or indirect parent of the Issuer shall be evidenced to the Trustee by promptly furnishing to the Trustee a copy of the resolution of the Board of Directors of the Issuer or any direct or indirect parent of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"**U.S. BidCo**" means IDG Apollo Parent Inc., a wholly-owned direct subsidiary of the Issuer organized under the laws of Delaware.

"**U.S. BidCo Proceeds Loan**" means the approximately USD 72.2 million loan to be made by the Issuer to U.S. BidCo with the net proceeds of the Notes released from the Escrow Account and certain available cash on balance sheet on or prior to the Completion Date.

"**U.S. Guarantors**" has the meaning assigned to such term under "*—Guarantees*".

"**U.S. MergerCo**" means IDG Apollo Merger Sub LLC, a wholly-owned direct subsidiary of U.S. BidCo organized under the laws of Delaware, which is expected to be merged with and into the Target on the Completion Date, with Target surviving such merger.

"**Voting Stock**" of any Person as of any date means the Capital Stock of such Person that is entitled to vote in the election of the Board of Directors of such Person.

"**Wholly Owned Restricted Subsidiary**" means any Wholly Owned Subsidiary that is a Restricted Subsidiary.

"**Wholly Owned Subsidiary**" of any Person means a direct or indirect Subsidiary of such Person 100% of the outstanding Capital Stock or other ownership interests of which (other than directors’ qualifying shares or shares or interests required to be held by foreign nationals or other third parties to the extent required by applicable law) shall at the time be owned by such Person or by one or more Wholly Owned Subsidiaries of such Person.

BOOK-ENTRY, DELIVERY AND FORM

General

Each series of Notes sold to QIBs in reliance on Rule 144A (the "**Rule 144A Notes**") under the U.S. 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, S.A. ("**Clearstream**") and registered in the name of the nominee of the Common Depositary.

Each series of Notes sold outside the United States in reliance on Regulation S (the "**Regulation S Notes**") under the U.S. 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 for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the Common Depositary.

Except as set forth below, 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 the Offering only against payment in immediately available funds.

Ownership of interests in the Rule 144A Global Notes (the "**Restricted Book-Entry Interests**") and in the Regulation S Global Notes (the "**Regulation S Book-Entry Interests**" and, together with the 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 the Book-Entry Interests 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 be considered the "holders" of Notes for any purpose under the Indenture.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) 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 Trustee, the Paying Agent, the Transfer Agent, the Registrar, 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 that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream (or their respective nominees), as applicable, will redeem an equal amount of the

Book-Entry Interests in such Global Note from the amount received by them in respect of the redemption of such Global Note. The Common Depositary will surrender such Global Note to the Registrar for a cancellation or, in the case of a partial redemption, the Common Depositary will request the Registrar or the Trustee 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 by lot or on such other basis as they deem fair and appropriate; provided, however, that 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 relevant Global Notes (including principal, premium, if any, interest and additional amounts, if any) to the Paying Agent, who will make payments to Euroclear and Clearstream, which will distribute such payments to participants in accordance with their customary procedures. 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 Trustee, the Paying Agent, the Transfer Agent and the Registrar will treat the registered holders of the Global Notes (*i.e.*, Euroclear or Clearstream (or their respective nominees)) as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Paying Agent, the Transfer Agent, the Registrar, 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;
- Euroclear, Clearstream or any participant or indirect participant; or
- any other matters relating to the actions and practices of Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

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 euro.

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 nor the Trustee nor the Initial Purchasers 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.

Action by owners of Book-Entry Interests

Euroclear and Clearstream have advised us 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 (as defined under "*Description of Notes—Events of Default*"), 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 and certification requirements 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 U.S. Securities Act.

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Restricted 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 to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the U.S. Securities Act in a transaction meeting the requirements of Rule 144A under the U.S. Securities Act or otherwise in accordance with the transfer restrictions described under "*Transfer restrictions*", and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

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.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of Notes—Transfer and Exchange*" and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes.

The Notes represented by the Global Notes are expected to be listed on the Official List of the LuxSE and to be admitted to trading 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 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 to act as depositary for the Global Notes, and the Issuer fails to appoint a successor depositary within 120 days;
- 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 Issuer will issue Definitive Registered Notes, 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, each of the Issuer, the Trustee, the Paying 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.

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 such Trustee's and the Issuer's requirements are met. The Issuer and 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 us to protect us, the Trustee and authenticating agent, the Registrar, the Transfer Agent or the Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer 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 us 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 LuxSE and the rules of the LuxSE so require, the Issuer will publish a notice of any issuance of Definitive Registered Notes in a newspaper having general circulation in Luxembourg (which we expect to be the *Luxemburger Wort*). Payment of principal, any repurchase price, premium and interest on Definitive Registered Notes will be payable at the office of the paying agent in Luxembourg so long as the Notes are listed on the Official List of the LuxSE and the rules of the LuxSE so require.

Global clearance and settlement under the Book-Entry system

Initial settlement

Initial settlement for the Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional 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

We expect that the Notes will be accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers and common codes for the Notes are set out under "*Listing and general information*".

Information concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The following description of the operations and procedures of Euroclear and Clearstream are 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 we nor the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent or the Registrar take any responsibility for these operations and procedures and we urge 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 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.

TAXATION

The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in Italy, the United States, and Denmark 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, Italian, United States, or Danish 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, including on a retroactive basis. References in this section to holders of the Notes include the beneficial owners of the Notes. Terms defined under each subsection related to Italian, United States and Danish tax law below only have such meanings as defined therein for such respective section. The statements regarding the laws and practices of Italy and the United States set forth below assume that the Notes will be issued, and the transfers thereof will be made, in accordance with the Indenture.

Certain Italian Tax Considerations

The statements herein regarding Italian taxation are based on the laws and published practice of the Italian tax authorities in effect in Italy as of the date of this Offering Memorandum and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following is a summary only of the material Italian tax consequences of the purchase, ownership and disposition of the Notes for Italian resident and non-Italian resident beneficial owners, 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 purchase, own or dispose of the 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. Neither the Issuer nor any other entity belonging to the Target Group will update this summary to reflect changes in law or in the interpretation thereof and, if any such change occurs, the information in this summary could be superseded.

Interest on the Notes

Italian Resident Holders of the Notes

Italian Legislative Decree No. 239 of April 1,1996, as amended and supplemented ("Decree No. 239"), regulates the tax treatment of interest, premiums and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "Interest") from Notes to the extent: (i) Notes are issued by, *inter alia*, companies, whose shares are listed on a regulated market or on a multilateral trading platform of EU Member States and of the states party to the EEA Agreement included in the list of States allowing an adequate exchange of information with the Italian tax authorities, as indicated by the Italian Ministerial Decree of September 4, 1996, as subsequently amended and supplemented and possibly further amended by future decrees issued pursuant to Article 11 par. 4 (c) of Decree No. 239 (the "**White List States**"); or (ii) Notes are listed on a qualifying regulated market or on a multilateral trading platform of EU Member States and of the states party to the EEA Agreement of White List States; or (iii) Notes are only held by qualified investors (as defined under Article 100 of the Italian Securities Act). The provisions of Decree No. 239 only apply to Notes which qualify as *obbligazioni* or *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**"). Pursuant to Article 44 of Decree No. 917, for securities to qualify as *titoli similari alle* *obbligazioni* (securities similar to bonds), they must (i) incorporate an unconditional obligation to pay at maturity an amount not lower than their nominal value or principal amount ("*valore nominale*") and (ii) attribute to the holders no direct or indirect right to control or participate to the management of the Issuer.

Pursuant to Decree No. 239, payments of Interest relating to Notes issued by the Issuer that qualify as *obbligazioni* or *titoli similari alle obbligazioni* are subject to a tax, referred to as *imposta sostitutiva* (as defined below), levied at the rate of 26% (either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Notes) where an Italian resident holder of Notes is the beneficial owner of such Notes, and is:

(a) an individual holding Notes otherwise than in connection with entrepreneurial activity, unless he has entrusted the management of his financial assets, including the Notes, to an authorized intermediary and has opted for the application of the so-called *risparmio gestito* regime (the "**Asset Management Option**") pursuant to Article 7 of Italian Legislative Decree No. 461 of November 21, 1997, as amended ("**Decree No. 461**"); or

(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 mainly or exclusively commercial activities or professional associations; or

(c) a private or public entity (other than a company) or a trust not carrying out commercial activities; or

(d) an investor exempt from Italian corporate income taxation.

All the above categories are classed as "net recipients".

Where the resident holders of the Notes described in (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* applies as a provisional income tax and may be deducted from the taxation on income due.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decrees No. 509/1994 and No. 103/1996 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 in Article 1 (100-114) of Law No. 232 of December 11, 2016 and in Article 1 (210-215) of Law No. 145 of 30 December 2018, as subsequently amended and supplemented.

Pursuant to Decree No. 239, the 26% *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (so-called "SIMs"), fiduciary companies, *società di gestione del risparmio*, stockbrokers and other qualified entities, identified by a decree of the Ministry of Finance, which are resident in Italy ("**Intermediaries**" and each an "**Intermediary**") or by permanent establishments in Italy of banks or intermediaries resident outside Italy or by organizations or companies non-resident in Italy, acting through a system of centralized administration of securities and directly connected with the Department of Revenue of the Ministry of Finance (which includes Euroclear and Clearstream) having appointed an Italian representative for the purposes of Decree No. 239. For the purposes of applying *imposta sostitutiva*, Intermediaries or permanent establishments in Italy of foreign intermediaries are required to act in connection with the collection of Interest or, in the transfer or disposal of Notes, including in their capacity as Transferees.

Payments of Interest in respect of Notes issued by the Issuer that fall within the definitions set out above are not subject to the 26% *imposta sostitutiva* if made to beneficial owners who are:

(a) Italian resident corporation or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected;

(b) Italian resident partnerships carrying out commercial activities (*società in nome collettivo or società in accomandita semplice*);

(c) Italian resident open-ended or closed-ended collective investment funds, investment companies with fixed capital (SICAFs) or investment companies with variable capital (SICAVs) established in Italy, Italian resident pension funds referred to in Italian Legislative Decree No. 252 of December 5, 2005 ("**Decree No. 252**") and Italian resident real estate investment funds; and

(d) Italian resident individuals holding Notes otherwise than in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorized financial intermediary and have opted for the Asset Management Option.

Such categories are classed as "gross recipients". To ensure payment of Interest in respect of the Notes without the application of the 26% *imposta sostitutiva*, gross recipients must:

(a) be the beneficial owners of payments of Interest on the Notes; and

(b) deposit the Notes together with the coupons relating to such Notes in due time directly or indirectly with an Italian authorized financial Intermediary (or permanent establishment in Italy of foreign intermediary).

Where the Notes and the relevant coupons are not deposited with an authorized Intermediary (or permanent establishment in Italy of foreign intermediary), *imposta sostitutiva* is applied and withheld:

(a) by any Italian bank or any Italian intermediary paying Interest to the holders of the Notes, or

(b) by the Issuer, and gross recipients that are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected are entitled to deduct any *imposta sostitutiva* suffered from income taxes due.

Interest accrued on the Notes would be included in the corporate taxable income (and in certain circumstances, depending on the "status" of the holders of the Notes, also in the net value of production for purpose of regional tax on productive activities—IRAP) of the holders of the Notes who are Italian resident corporations or similar commercial entities or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected, subject to tax in Italy in accordance with ordinary tax rules.

Italian resident individuals holding Notes not in connection with entrepreneurial activity who have opted for the Asset Management Option are subject to a 26% annual substitute tax (the "**Asset Management Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorized intermediary.

Interest accrued on the Notes held by Italian collective investment funds, SICAVs and SICAFs is not subject to the *imposta sostitutiva*, but is included in the aggregate income of the investment funds, SICAVs and SICAFs. The Italian collective investment funds, SICAVs or SICAFs will not be subject to taxation on such result, but a withholding tax of 26% will apply, in certain circumstances, to distributions made in favor of unitholders or shareholders.

Where an Italian resident noteholder is a pension fund (subject to the regime provided for by article 17 of Italian Legislative Decree No. 252 of December 5, 2005) and the Notes are deposited with an Italian resident intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20% substitute tax on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). Subject to certain conditions (including minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes may be excluded from the taxable base of the 20% substitute tax if the Notes are included in a long term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of Law No. 232 of December 11, 2016 and in Article 1 (210-215) of Law No. 145 of December 30, 2018, as subsequently amended and supplemented.

Where a holder of the Notes is an Italian resident real estate investment fund or a real estate SICAF to which the provisions of Italian Law Decree No. 351 of September 25, 2001, as subsequently amended and supplemented, apply, Interest accrued on the Notes will be subject neither to *imposta sostitutiva*, nor to any other income tax in the hands of the real estate investment fund or the real estate SICAF. However, a withholding or substitute tax of 26% will apply, in certain circumstances, to income realized by unitholders or shareholders of such real estate investment funds or real estate SICAFs in the event of distributions, redemption or sale of the units or shares. Moreover, in certain circumstances, income realized by an Italian real estate investment fund or real estate SICAF is attributed pro rata to the Italian resident unitholders or shareholders irrespective of any actual distribution on a tax transparency basis.

Non-Italian Resident Holders of the Notes

Pursuant to Decree No. 239, payments of Interest in respect of Notes will not be subject to *imposta sostitutiva* at the rate of 26%, provided that:

(a) the payments are made to non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected;

(b) such beneficial owners are resident, for tax purposes, in White List States; and

(c) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended and supplemented, in order to benefit from the exemption from *imposta sostitutiva*, are met or complied with in due time.

The 26% *imposta sostitutiva* may generally be reduced to 10% or reduced to zero under certain applicable double tax treaties entered into by Italy, if more favorable, subject to timely filing of required documentation provided by the Measure of the Director of Italian Revenue Agency No. 2013/84404 of July 10, 2013.

Decree No. 239 also provides for additional exemptions from *imposta sostitutiva* for payments of Interest in respect of the Notes made to (i) international entities and organizations established in accordance with international agreements ratified in Italy, (ii) "institutional investors", whether or not subject to tax, which are established in White List States and (iii) Central Banks or entities which manage, inter alia, the official reserves of a foreign State.

To ensure payment of Interest in respect of the Notes without the application of 26% *imposta sostitutiva*, non-Italian resident investors indicated above must:

(a) be the beneficial owners of payments of Interest on the Notes, if the Holder is not an institutional investor;

(b) deposit the Notes in due time together with the coupons relating to such Notes directly or indirectly with an Intermediary, or a permanent establishment in Italy of a non-Italian bank or financial intermediary, or with a non-Italian resident operator participating in a centralized securities management system which is in contact via computer with the Ministry of Economy and Finance; and

(c) file in due time with the relevant depository a declaration (*autocertificazione*) stating, inter alia, that he or she is a resident, for tax purposes (or established, for institutional investors), in a White List State. Such declaration (*autocertificazione*) which must comply with the requirements set forth by an Italian Decree of the Ministry for the Economy and Finance of December 12, 2001 (as amended and supplemented), is valid until withdrawn or revoked and need not be submitted where a certificate, declaration or other similar document meant for equivalent uses was previously submitted to the same depository. The declaration (*autocertificazione*) is not required for non-Italian resident investors that are international entities and organizations established in accordance with international agreements ratified in Italy and Central Banks or entities which manage, inter alia, the official reserves of a foreign state.

Failure of a non-resident holder of the Notes to comply in due time with the procedures set forth in Decree No. 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interest payments to the non-resident holder of the Notes.

Payments made by an Italian resident guarantor

According to a certain interpretation, payments on the Notes made by an Italian resident Guarantor under Notes Guarantees should be treated, in certain circumstances, as payment by the relevant Issuer and should be subject to the tax regime described above. However, there is no public guidelines issued by the Italian tax authorities dealing with the Italian tax regime of payments on notes made by an Italian resident guarantor. Accordingly, there can be no assurance that the Italian tax authorities will not assert an alternative treatment of such payments or that the Italian courts would not support such an alternative treatment.

In particular, according to a different interpretation, if any future Italian resident guarantor makes any payments in respect of Interest on the Notes (or any other amounts due under the Notes other than the repayment of principal) it is possible that such payments may be subject to withholding tax at the applicable rate of 26 percent pursuant to Presidential Decree No. 600 of September 29, 1973, subject to such relief as may be available under the provisions of any applicable double taxation treaty.

Fungible Issues

Pursuant to Article 11, paragraph 2 of Decree No. 239, where the relevant Issuer issues a new Tranche forming part of a single series with a previous Tranche, for the purposes of calculating the amount of Interest subject to *imposta sostitutiva*, the issue price of the new Tranche will be deemed to be the same amount as the issue price of the original Tranche. This rule applies where (a) the new Tranche is issued within twelve months from the issue date of the previous Tranche and (b) the difference between the issue price of the new Tranche and that of the original Tranche does not exceed 1% multiplied by the number of years of the duration of the Notes.

Capital Gains

Italian Resident Holders of the Notes

Pursuant to Decree No. 461, a 26% capital gains tax (referred to as "*imposta sostitutiva*") is applicable to capital gains realized by Italian resident individuals not engaged in entrepreneurial activities to which the Notes are connected, on any sale or transfer for consideration of the Notes or redemption thereof.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decrees No. 509/1994 and No. 103/1996 may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes 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 in Article 1 (100-114) of Law No. 232 of December 11, 2016 and in Article 1 (210-215) of Law No. 145 of December 30, 2018, as subsequently amended and supplemented. According to Article 1 (219-225) of Law No. 178 of December 30, 2020, under some conditions, capital losses realized by Italian resident individuals not acting in connection with an entrepreneurial activity upon sale or redemption of the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets specific requirements, give rise to a tax credit equal to the capital losses, provided that such tax credit does not exceed the 20% of the amount invested in the long-term saving accounts (*piano di risparmio a lungo termine*).

Under the so-called "tax declaration regime", which is the standard regime for taxation of capital gains realized by Italian resident individuals not engaged in entrepreneurial activities to the extent that they do not opt for the "*risparmio amministrato*" regime or the Asset Management Option, the 26% *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains net of any relevant incurred capital losses realized by Italian resident individuals not engaged in entrepreneurial activities pursuant to all investment transactions carried out during any given tax year. The capital gains realized in a year net of any relevant incurred capital losses must be detailed in the relevant annual tax return to be filed with Italian tax authorities and *imposta sostitutiva* must be paid on such capital gains by Italian resident individuals together with any balance income tax due for the relevant tax year.

Alternatively, holders of the Notes who are Italian resident individuals not engaged in entrepreneurial activities to which the Notes are connected, may elect to pay *imposta sostitutiva* separately on capital gains realized on each sale or transfer or redemption of the Notes ("*risparmio amministrato*" regime). Such separate taxation of capital gains is allowed subject to:

(a) the Notes being deposited with an Intermediary (or permanent establishment in Italy of a foreign intermediary); and

(b) an express election for the so called *risparmio amministrato* regime being made in writing in due time by the relevant holder of the Notes.

The Intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realized on each sale or transfer or redemption of the Notes, as well as on capital gains realized as at revocation of its mandate, net of any relevant incurred capital losses, and is required to pay the relevant amount to the Italian tax authorities on behalf of the holder of the Notes, deducting a corresponding amount from proceeds to be credited to the holder of the Notes. Where a sale or transfer or redemption of the Notes results in a capital loss, the intermediary is entitled to deduct such loss from gains of the same kind subsequently realized on assets held by the holder of the Notes within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, any realized capital gain is not required to be included in the annual income tax return of the holders of the Notes.

Special rules apply if the Notes are part of (i) a portfolio managed under the Asset Management Option by an Italian asset management company or an authorized intermediary or (ii) an Italian *Organismo di Investimento Collettivo del Risparmio* (which includes a *Fondo Comune di Investimento*, SICAV or SICAF). In both cases, capital gains on the Notes will not be subject to 26% *imposta sostitutiva* on capital gains.

In particular, under the Asset Management Option, any appreciation of the Notes, even if not realized, will contribute to determine the annual accrued appreciation of the managed portfolio, subject to the Asset Management Tax. Any depreciation of the managed portfolio accrued at year end may be carried forward against appreciation accrued in each of the four subsequent years. Under the Asset Management Option the realized capital gain is not required to be included in the annual income tax return of the holders of the Notes.

In the case of Notes held by investment funds, SICAVs or SICAFs, capital gains on Notes contribute to determine the increase in value of the managed assets of the funds, SICAVs or SICAFs accrued at the end of each tax year. The investment funds, SICAVs or SICAFs will not be subject to taxation on such increase, but a withholding or substitute tax of 26% will apply, in certain circumstances, to distributions made in favor of unitholders or shareholders.

Any capital gains realized by a holder of the Notes that is an Italian pension fund (subject to the regime provided for by Article 17 of Italian Legislative Decree No. 252 of December 5, 2005) will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20% substitute tax on the increase in value of the managed assets accrued at the end of each tax year. Subject to certain conditions (including minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes may be excluded from the taxable base of the 20% substitute tax if the Notes are included in a long term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of December 11, 2016 and in Article 1 (210-215) of Law No. 145 of December 30, 2018, as subsequently amended and supplemented.

Where a holder of the Notes is an Italian resident real estate investment fund or a real estate SICAF, to which the provisions of Italian Law Decree No. 351 of September 25, 2001, as subsequently amended and supplemented, apply, capital gains realized will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or the real estate SICAF. However, a withholding or substitute tax of 26% will apply, in certain circumstances, to income realized by unitholders or shareholders of such real estate investment funds or real estate SICAFs in the event of distributions, redemption or sale of units or shares. Moreover, in certain circumstances, income realized by an Italian real estate investment fund or real estate SICAF is attributed pro rata to the Italian resident unitholders or shareholders irrespective of any actual distribution on a tax transparency basis.

Any capital gains realized by Italian resident corporations or similar commercial entities or permanent establishments in Italy of non-Italian resident corporations to which the Notes are connected or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected, will be included in their business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in Italy according to the relevant ordinary tax rules.

Non-Italian Resident Holders of the 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 any capital gains realized by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale for consideration or redemption of the Notes are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market (including a multilateral trading facility, which has been equated to a "regulated market" for income tax purpose by the Italian tax authorities in paragraph 2 of the circular letter no. 32 of December 23, 2020) in Italy or abroad, and in certain cases subject to timely filing of required documentation (in the form of a declaration (*autocertificazione*) of non-residence in Italy) 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 listed on a regulated market or on a multilateral trading facility in Italy or abroad:

(a) Pursuant to the provisions of Decree No. 461, non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected are exempt from *imposta sostitutiva* in Italy on any capital gains realized upon sale for consideration or redemption of the Notes if they are resident for tax purposes in a White List State. Under these circumstances, if non-Italian resident beneficial owners of the Notes without a permanent establishment in Italy to which the Notes are effectively connected elect for the Asset Management Option or are subject to the *risparmio amministrato* regime, exemption from Italian capital gains tax will apply provided that they timely file with the authorized financial intermediary an appropriate declaration (*autocertificazione*) stating that they meet the requirement indicated above. The same exemption applies in case the beneficial owners of the Notes are (i) international entities or organizations established in accordance with international agreements ratified by Italy; (ii) certain foreign institutional investors established in White List States; or (iii) Central Banks or entities which manage, inter alia, the official reserves of a foreign State.

(b) In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with Italy, providing that capital gains realized upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realized upon sale for consideration or redemption of Notes. Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the Asset Management Option or are subject to the *risparmio amministrato* regime, exemption from Italian capital gains tax will apply provided that they timely file with the authorized financial intermediary appropriate documents which include, inter alia, a statement from the competent tax authorities of the country of residence of the non-Italian residents.

The *risparmio amministrato* regime is the ordinary regime automatically applicable to non-resident persons and entities in relation to Notes deposited for safekeeping or administration with Italian banks, SIMs and other eligible entities, but non-resident holders of the Notes retain the right to waive this regime.

Inheritance and Gift Tax

Pursuant to Italian Law Decree No. 262 of October 3, 2006, converted into law with amendments by Italian Law No. 286 of November 24, 2006, as amended and supplemented, the transfers of any valuable assets (including the Notes) as a result of death or donation (or other transfers for no consideration) and the creation of liens on such assets for a specific purpose are taxed as follows:

(a) 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 gift exceeding €1,000,000 (per beneficiary);

(b) transfers in favor of brothers or sisters are subject to an inheritance and gift tax applied at a rate of 6% on the value of the inheritance or the gift exceeding €100,000 (per beneficiary);

(c) transfers in favor of relatives up to the fourth degree and relatives-in-law up to the third degree are subject to an inheritance and gift tax applied at a rate of 6% on the entire value of the inheritance or the gift; and

(d) any other transfer is 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 applies on the value exceeding €1,500,000.

With respect to Notes listed on a regulated market or on a multilateral trading facility (as also clarified by the answer published by the Italian tax authorities to the ruling no. 514 of December 11, 2019), the value for inheritance and gift tax purposes is the average stock exchange price of the last quarter preceding the date of the succession or of the gift (including any accrued interest). With respect to unlisted Notes, the value for inheritance tax and gift tax purposes is generally determined by reference to the value of listed debt securities having similar features or based on certain elements as presented in the Italian tax law. Italian inheritance tax and gift tax applies to non-Italian resident individuals for bonds issued by Italian resident companies.

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 Law No. 232 of December 11, 2016 and in Article 1 (210-215) of Law No. 145 of December 30, 2018, as subsequently amended and supplemented.

Italian inheritance tax and gift tax applies to non-Italian resident individuals for bonds issued by Italian resident companies.

Registration Tax

Contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarized deeds (*atti pubblici e scritture private autenticate*) executed in Italy are subject to fixed registration tax at a rate of €200; (ii) private deeds (*scritture private non autenticate*) are subject to registration tax at a rate of €200 only in the case of use or voluntary registration or occurrence of the so-called *enunciazione*.

Stamp Duty

According to Article 13 par. 2-ter of the tariff Part I attached to Italian Presidential Decree No. 642 of October 26, 1972, as amended and supplemented, a proportional stamp duty applies on a yearly basis to the periodic reporting communications sent by financial intermediaries to their clients in respect of any financial product and instrument, which may be deposited with such financial intermediary in Italy. This stamp duty applies at the rate of 0.20% on the market value or—in the absence of a market value—on the nominal value or the redemption amount or in the case the nominal or redemption values cannot be determined, on the purchase value of any financial products and cannot exceed the amount of €14,000 for holders of the Notes that are not individuals.

The statement is considered to be sent at least once a year, even for instruments for which is not mandatory, nor the deposit, nor the release or the drafting of the statement. In case of reporting periods of less than twelve months, the stamp duty is payable pro-rata.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on May 24, 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on February 9, 2011) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth Tax on Financial Assets Deposited Abroad

According to Article 19 of Decree No. 201/2011, as amended and supplemented, individuals, non-profit entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Decree No. 917) resident in Italy holding financial assets—including the Notes—outside of the Italian territory are required to pay a wealth tax at the rate of 0.2%. The tax applies on the market value at the end of the relevant year or—in the absence of a market value—on the nominal value or redemption value, or in the case the face or redemption values cannot be determined, on the purchase value of any financial assets held outside of the Italian territory and cannot exceed the amount of €14,000 for holders of the Notes that are not individuals. Taxpayers are generally 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 Italian wealth tax due).

Tax Monitoring Obligations

Pursuant to Italian Law Decree No. 167 of June 28,1990, converted by Italian Law No. 227 of August 4, 1990, as amended and supplemented, individuals, non-profit entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Decree No. 917) resident in Italy who hold investments abroad or have financial activities abroad must, in certain circumstances, disclose the aforesaid and related transactions to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return). The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument under the Italian money-laundering law.

Furthermore, the above reporting requirement is not required to comply with respect to Notes deposited for management or administration with qualified Italian financial intermediaries, with respect to contracts entered into through their intervention, upon condition that the items of income derived from the Notes have been subject to tax by the same intermediaries and with respect to foreign investments which are only composed by deposits and/or bank accounts when their aggregate value never exceeds a €15,000 threshold throughout the year.

Certain United States Federal Income Tax Considerations

The following is a discussion of certain U.S. federal income tax considerations related to the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. This discussion is limited to consequences relevant to a U.S. holder (as defined below) except for the discussion of FATCA (as defined under "*—Foreign Account Tax Compliance Act*") and the discussion of a possible alternative tax treatment of the Notes (as discussed under "*—Possible Alternative Tax Treatment of the Notes*"). This discussion does not address the impact of the alternative minimum tax or the Medicare contribution tax on net investment income or the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. This discussion is based upon the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury regulations issued thereunder (the "**Treasury Regulations**"), and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. 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.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances, or to holders subject to special rules, such as banks, thrifts and other financial institutions, holders of the Existing Floating Rate Notes, U.S. expatriates, insurance companies, individual retirement accounts, brokers, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt entities, regulated investment companies, real estate investment trusts, S corporations, entities or arrangements treated as partnerships for U.S. federal income tax purposes or other pass through entities and investors in such entities, U.S. holders that are resident in or have a permanent establishment in a jurisdiction outside the United States, persons holding the Notes as part of a "straddle", "hedge", "conversion transaction" or other integrated transaction, entities covered by the anti-inversion rules, and persons 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. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (i.e., the first price at which a substantial amount of the Notes is sold to the public for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of Section 1221 of the Code (generally for investment).

For purposes of this discussion, a "U.S. holder" is a beneficial owner of a Note 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 any entity taxable 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) any estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more "United States persons" (within the meaning of Section 7701(a)(30) of the Code) have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a United States person for U.S. federal income tax purposes.

If any entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership considering an investment in the Notes, and partners in such a partnership, should consult their tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes.

This discussion is for informational purposes only and is not tax advice. Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of other federal, state, local, non-U.S. or other tax laws.

Characterization of the Notes

In certain circumstances (see "*Description of Notes—Escrow of Proceeds*; *Special Mandatory Redemption*", "*Description of Notes—Optional Redemption*" and "*Description of Notes—Change of Control*"), the Issuer may be obligated to redeem the Notes for an amount different from their stated principal amount (plus accrued and unpaid interest), or may be obligated to make certain payments on the Notes in excess of stated principal and interest. The Issuer does not intend to treat the Notes as contingent payment debt instruments due to the possibility of such a redemption occurring and such excess payments being made. Assuming the Issuer's position is respected, any such additional payments would generally be taken into account by a U.S. holder at the time such payments are received or accrued, in accordance with the U.S. holder's usual method of accounting for tax purposes.

The Issuer's position is binding on a U.S. holder, unless the U.S. holder discloses in the proper manner to the IRS that it is taking a different position. The Issuer's position is not, however, binding on the IRS, and if the IRS successfully challenged this position, the tax consequences of owning and disposing of the Notes could be materially different than those described herein, including with respect to the character, timing and amount of income, gain or loss recognized. The balance of this discussion assumes that the Notes will not be considered contingent payment debt instruments. U.S. holders are urged to consult their own tax advisors regarding the potential application to the Notes of the contingent payment debt instrument rules and the consequences thereof.

Payments of Stated Interest

Payments of stated interest on the Notes (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a U.S. holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes.

A U.S. holder that uses the cash method of accounting for U.S. federal income tax purposes and that receives a payment of stated interest on the Notes will be required to include in income (as ordinary income) the U.S. dollar value of the interest payment, translated at the spot rate of exchange on the date such payment is received, regardless of whether the payment is in fact converted to U.S. dollars at such time. A cash method U.S. holder will not recognize foreign currency exchange gain or loss with respect to the receipt of such stated interest, but may recognize exchange gain or loss attributable to the actual disposition of the foreign currency so received if such U.S. holder does not convert the foreign currency into U.S. dollars on the date of receipt.

A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes (or who otherwise is required to accrue interest prior to receipt) may determine the amount recognized with respect to such interest in accordance with either of two methods. Under the first method, such U.S. holder will be required to include in income (as ordinary income) the U.S. dollar value of the amount of foreign currency that has accrued with respect to its Notes during an accrual period. The U.S. dollar value of such foreign currency amount will be determined by translating such amount at the average spot rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate of exchange for the partial period within each taxable year. An accrual basis U.S. holder may instead elect, however, to translate such accrued interest income into U.S. dollars at the spot rate of exchange on the last day of the interest accrual period and, with respect to the portion of an accrual period that spans two taxable years, that lands on the last day of a taxable year, at the spot rate of exchange on the last day of the taxable year. Alternatively, if the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a U.S. holder that has made the election described in the prior sentence may translate such interest at the spot rate of exchange on the date of receipt of the interest.

The above election will apply to all debt instruments held by an electing U.S. holder and may not be changed without the consent of the IRS. A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes will recognize foreign currency exchange gain or loss with respect to accrued interest income on the date such interest is received. The amount of foreign currency exchange gain or loss recognized will equal the difference, if any, between the U.S. dollar value of such interest payment received (translated at the spot rate of exchange on the date such interest is received) in respect of such accrual period and the U.S. dollar value of the interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to U.S. dollars at such time. Any such exchange gain or loss generally will constitute ordinary income or loss and 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.

Foreign Tax Credit

Stated interest income on a Note generally will constitute foreign source income and generally will be considered "passive category income" in computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws. Any non-U.S. withholding tax paid by or on behalf of a U.S. holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations (including holding period and at risk rules). The calculation of foreign tax credits involves the application of complex rules that depend on a U.S. holder's particular circumstances. U.S. holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes.

Sale, Exchange, Retirement, Redemption or Other Taxable Disposition of Notes

Upon the sale, taxable exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder generally will recognize gain or loss in an amount equal to the difference, if any, between the amount realized upon such disposition (less any amount equal to any accrued but unpaid stated interest, which will be taxable as interest income (as discussed above) to the extent not previously included in income by the U.S. holder) and such U.S. holder's adjusted tax basis in the Note.

A U.S. holder's adjusted tax basis in a Note will, in general, be the cost of such Note to such U.S. holder. The cost of a Note purchased with foreign currency will generally be the U.S. dollar value of the foreign currency purchase price translated at the spot rate on the date of purchase. If the applicable Note is treated as traded on an established securities market and the relevant U.S. holder is either a cash basis taxpayer or an accrual basis taxpayer who has made the special election described below, such U.S. holder will determine the U.S. dollar value of the cost of such Note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

If a U.S. holder receives foreign currency on such a sale, exchange, retirement, redemption or other taxable disposition of a Note, the amount realized generally will be based on the U.S. dollar value of such foreign currency translated at the spot rate of exchange on the date of taxable disposition. In the case of a Note that is considered to be traded on an established securities market, a cash basis U.S. holder and, if it so elects, an accrual basis U.S. holder, will determine the U.S. dollar value of such foreign currency by translating such amount at the spot rate of exchange on the settlement date of the disposition. The special election available to accrual basis U.S. holders in regard to the purchase or disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the U.S.

holder and cannot be changed without the consent of the IRS. An accrual basis U.S. holder that does not make the special election will recognize foreign currency exchange gain or loss to the extent that there are exchange rate fluctuations between the disposition date and the settlement date, and such gain or loss generally will constitute U.S. source ordinary income or loss.

Gain or loss recognized by a U.S. holder upon the sale, exchange, retirement, redemption or other taxable disposition of a Note that is attributable to fluctuations in currency exchange rates with respect to the principal amount of such Note generally will be U.S. source ordinary income or loss and generally will not be treated as interest income or expense. Such gain or loss generally will equal the difference, if any, between the U.S. dollar value of the U.S. holder's foreign currency purchase price for the Note, translated at the spot rate of exchange on the date principal is received from the Issuer or the U.S. holder disposes of the Note, and the U.S. dollar value of the U.S. holder's foreign currency purchase price for the Note, translated at the spot rate of exchange on the date the U.S. holder purchased such Note. In addition, upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder may recognize foreign currency exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest, if any, which will be treated as discussed above under "*—Payments of Stated Interest*". However, upon a sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder will recognize any foreign currency exchange gain or loss (including with respect to accrued stated interest, if any) only to the extent of total gain or loss realized by such U.S. holder on such disposition.

Any gain or loss recognized by a U.S. holder upon the sale, exchange, retirement, redemption or other taxable disposition of a Note other than foreign currency exchange gain or loss attributable to such disposition generally will be U.S. source gain or loss and generally will be capital gain or loss. Capital gains of non-corporate U.S. holders (including individuals) derived in respect of capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

U.S. holders should consult their tax advisors regarding how to account for payments made in a foreign currency with respect to the acquisition, sale, exchange, retirement or other taxable disposition of a Note and the foreign currency received upon a sale, exchange, retirement or other taxable disposition of a Note.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to payments of stated interest on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a U.S. holder unless such U.S. holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the U.S. holder fails to provide a correct taxpayer identification number or a certification that it is not subject to backup withholding, or otherwise fails to comply with the applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax and any amounts withheld under the backup 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.

Certain 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 the receipt or accrual of interest on or a sale, exchange, retirement, redemption or other taxable disposition of a foreign currency note or 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).

Certain U.S. holders who are individuals and who own "specified foreign financial assets" (as defined in Section 6038D of the Code) 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 should consult their tax advisors regarding the effect, if any, of this requirement on their ownership and disposition of the Notes.

Possible Alternative Tax Treatment of the Notes

Although not free from doubt, the Issuer intends to take the position that payments of interest on the Notes should be treated as from sources outside the United States for U.S. federal income tax purposes. Accordingly, a beneficial owner of a Note that is neither a U.S. holder nor a partnership for U.S. federal income tax purposes (a "non-U.S. holder") should not be subject to U.S. federal withholding tax with respect to the Notes. Because, however, a substantial portion of the net proceeds of this offering is expected to be directly or indirectly on-lent by us to U.S. BidCo and used in the United States to fund the Acquisition, the IRS may successfully assert that there is a potential tax avoidance plan and that all or a portion of any payment of interest on the Notes should be treated as from sources within the United States for U.S. federal income tax purposes. In that case, a non-U.S. holder may be subject to U.S. federal withholding tax at a rate of 30% (or a lower treaty rate) with respect to interest payments on the Notes unless certain certification requirements have been fulfilled (such as providing applicable IRS W-8 Forms). We have not sought and will not seek any rulings from the IRS with respect to the tax treatment of the Notes and there can be no assurance the IRS or a court will not take a contrary position concerning the tax treatment described in this paragraph. We currently do not intend to withhold on any payment made with respect to the Notes to non-U.S. holders. However, in the event that the interest income were treated as from sources within the United States for U.S. federal income tax purpose, we or the applicable withholding agent may withhold on payments made with respect to the Notes to non-U.S. holders unless the certification requirements described above are met, and we will not be required to pay any additional amounts with respect to amounts so withheld.

In that connection, each holder and beneficial owner of the Notes, by its purchase and acceptance of the Notes, will be deemed to have acknowledged, represented to and agreed with the Issuer and the Initial Purchasers as follows:

(i) if such holder or beneficial owner is not a United States person as defined in Section 7701(a)(30) of the Code, (i) such holder or beneficial owner qualifies for an exemption from U.S. federal withholding tax with respect to payments of interest pursuant to an applicable income tax treaty to which the United States is a party; or (ii)(x) such holder or beneficial owner does not, actually or constructively, own 10% or more of the Issuer's voting stock within the meaning of Section 871(h)(3) of the Code; (y) such holder or beneficial owner is not a controlled foreign corporation related to the Issuer through actual or constructive stock ownership for U.S. federal income tax purposes; and (z) such holder or beneficial owner is not a bank;

(ii) such holder or beneficial owner (and any intermediary through which such holder or beneficial owner holds the Notes) qualifies for an exemption from any taxes imposed under the U.S. Foreign Account Tax Compliance Act (which shall, for this purpose, refer to any taxes imposed under Sections 1471 through 1474 of the Code (and any amended or successor version), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code, or any law or regulation implementing an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing);

(iii) such holder or beneficial owner is able to provide any required U.S. tax documentation to certify to the foregoing representations or to such holder's or beneficial owner's status as a United States person as defined in Section 7701(a)(30) of the Code upon reasonable request by the Issuer or an applicable withholding agent; and

(iv) such holder or beneficial owner agrees to give to each person to whom such holder or beneficial owner transfers the Notes notice of its requirement to meet the foregoing tax representations and documentation requirements.

Non-U.S. holders should consult their tax advisors regarding the possible U.S. federal income tax consequences of an investment in 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 regulations discussed below, a "foreign financial institution" may be required to withhold U.S. tax on certain "foreign passthru payments" 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 regulations defining foreign passthru payments are 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 regulations, any withholding on foreign passthru payments on Notes that are not otherwise grandfathered (as described above) would apply to foreign passthru payments made on or after the date that is two years after the date of publication in the U.S. Federal Register of applicable final regulations defining foreign passthru payments. Taxpayers generally may rely on these proposed regulations until final 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 own 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.

Certain Danish Tax Considerations

The following is an overview description of general Danish tax rules applicable to individual investors and corporate investors resident in Denmark, according to the Danish tax laws in force as of the date of this Offering Memorandum, and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following overview does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the Notes, and does not purport to deal with the tax consequences applicable to all categories of investors. Investors are, under all circumstances, strongly advised to contact their own tax advisor to clarify the individual consequences of their investment, holding and disposal of the Notes.

The overview does not cover investors to whom special tax rules apply, and, therefore, may not be relevant, for example, for certain institutional investors, insurance companies, pension companies, banks, stockbrokers and investors with tax liability on return on pension investments. The overview does not cover taxation of individuals and companies who carry on a business of purchasing and selling Notes. The overview only sets out the tax position of the direct owners of the Notes and further assumes that the direct investors are the beneficial owners, as understood in accordance with Danish tax law, of the Notes and any interest thereon. Sales are assumed to be sales to a third party (i.e. sales to a non-affiliated party) and any redemption is assumed to be on arm's length terms and is assumed to be a cash redemption (i.e. not a conversion to shares, a waiver of debt or similar). Furthermore, it is assumed that the holders of the Notes are not - directly or indirectly with other holders of the Notes or due to agreed joint control with other investors - affiliated with the Issuer and that the investment and holding of the Notes does not constitute tax abuse as understood in accordance with Section 3 of the Danish Tax Assessment Act (ligningsloven).

Withholding Tax

When the Issuer is not a Danish tax resident person, Denmark does not levy withholding tax on payments on Notes.

Individual Investors Resident in Denmark

Notes owned by individual investors who are resident in Denmark for Danish tax purposes may fall within two categories depending on whether the interest rate and/or the principal is adjusted according to certain reference assets.

For tax purposes a distinction is made between:

(a) Notes falling within Section 29, Subsection 3 of the Danish Capital Gains Tax Act (*kursgevinstloven*), which are Notes that are adjusted in accordance with price development on securities, goods, indices, assets or other metrics, as long as the price development can be subject to a financial contract, whether in the form of an adjustment of the principal or other payments under the Notes and whether or not the Notes Certificates are fully or only partially adjusted in accordance therewith; and

(b) other Notes, including Notes linked solely to the development in a foreign currency and certain consumer price or net price indices.

It is unlikely that the Notes will fall under Section 29, Subsection 3 of the Danish Capital Gains Tax Act (*kursgevinstloven*) since notes with fixed interest rates and notes with floating interest rates based on EURIBOR and similar reference interest rates are not considered as financial contracts for the purposes of Section 29, Subsection 3 of the Danish Capital Gains Tax Act (*kursgevinstloven*). Hence. we assume that the Notes qualify as ordinary debt instruments for Danish tax purposes covered by the Danish Capital Gains Tax Act (*kursgevinstloven*).

Interest

Income taxable as interest is taxed as capital income in the income year in which it falls due for payment. Capital income is taxed at a rate of up to 42% (in 2021).

Capital Gains

Gains and losses on Notes, including currency gains, are included in the calculation of capital income. However, a *de minimis* threshold will apply to the effect that net gains and losses on debt claims, debt in currency other than Danish kroner and certain units in certain types of investment funds falling under Section 22 of the Danish Act on Capital Gains on Shares (*aktieavancebeskatningsloven*) below DKK 2,000 per year will not be included in the taxable income. Further, tax deductibility of losses realized on Notes which are traded on a regulated market is subject to the Danish tax authorities having been notified of the acquisition of the Notes as further outlined in Section 15 of the Danish Capital Gains Tax Act (*kursgevinstloven*). Losses realized on Notes on which Denmark is prevented from taxing interest or gains pursuant to a tax treaty will not be deductible.

The Notes are taxed upon realization (*i.e.* redemption or disposal). Gains and losses are calculated in DKK as the difference between the acquisition sum and the value at realization.

Individuals may elect to apply a mark-to-market principle for all receivables (including Notes) traded on a regulated market and/or currency exchange gains and losses on receivables and debt (including Notes) denominated in currencies other than DKK. Once the mark-to-market principle is elected, a change back to the realization principle requires approval from the Danish tax authorities. Under the mark-to-market principle, a gain or a loss is calculated as the difference between the value of the Note at the beginning and the end of the income year, beginning with the difference between the acquisition sum of the Note and the value of the Note at the end of the same income year. Upon realization of the Note, the taxable income of that income year equals the difference between the value of the Note at the beginning of the income year and the value of the Note at realization. If the Note has been acquired and realized in the same income year, the taxable income equals the difference between the acquisition sum and the value at realization.

Pension Funds

Pension fund investors are Notes subject to taxation in accordance with the Danish Act on Pension Yield (*pensionsafkastbeskatningsloven*), which means that the gains and losses arising from the Notes are taxed according to the marl-to-market principle (see above) at a tax rate of 15.3%.

Corporate Investors Resident in Denmark

Interest

Income taxable as interest is taxed in the income year in which it accrues. The tax rate is 22% (in 2021).

Capital gains

Gains and losses on Notes are included in the calculation of taxable income (subject to certain rules limiting tax losses on financing expenses). The tax rate is 22%.

The Notes are taxed under the market-to-market principle entailing that a gain or a loss is calculated as the difference between the value of the Notes at the beginning and the end of the income year, beginning with the difference between the acquisition sum of the Notes and the value of the Notes at the end of the same income year. Upon realization of the Notes, the taxable income of that income year equals the difference between the value of the Notes at the beginning of the income year and the value of the Note at realization. If the Notes have been acquired and realized in the same income year, the taxable income equals the difference between the acquisition sum and the value at realization.

Gift and Inheritance Tax

Transfer of the Notes by way of gift is subject to Danish gift tax for the beneficiary/transferee, if either the transferor or the transferee is a resident of Denmark for tax purposes at the time of the gift. Transfer of the Notes by way of inheritance is subject to Danish inheritance tax if the deceased was a resident of Denmark for tax purposes at the time of the death.

Tax treaties may limit Denmark's right to impose gift or inheritance tax on non-residents of Denmark.

Non-Resident Holders

A holder of the Notes will generally not be subject to Danish taxation on capital gains or interest payments if such holder of Notes (i) is not a tax resident in Denmark, (ii) is not affiliated with the Issuer or a Guarantor (upon payment under the Notes), or, if affiliated with the Issuer or a Guarantor, is a tax resident of an EU/EEA member state or state with whom Denmark has a double tax treaty, and (iii) does not carry out business in Denmark via a permanent establishment in Denmark to which the Notes are attributable.

The above only applies if the relevant Issuer or Guarantor, (upon payment under the Notes) is a Danish tax resident or carries out business in Denmark via a permanent establishment to which the Notes and/or the guarantee is attributable to.

Transfer Tax
The issuance of the Notes and transfers of the Notes are not subject to transfer tax or stamp duty in Denmark.

Wealth Taxation
No wealth taxation is applicable in Denmark.

Other Tax Considerations

Payment by a Guarantor

If a guarantor of the Notes makes any payments in respect of interest on the Notes it is possible that such payments may be subject to withholding tax at applicable rates subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of the Notes by employee benefit plans that are subject to Title I of ERISA, individual retirement accounts ("**IRAs**") and other plans and arrangements that are subject to Section 4975 of the Code or employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA), non-U.S. plans (as described in Section 4(b)(4) of ERISA) or other plans that are not subject to the foregoing but may be subject to other U.S. or non-U.S. federal, state or local laws or regulations that are similar to such provisions of ERISA or the Code ("**Similar Laws**"), and entities whose underlying assets are considered to include "plan assets", within the meaning of 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA), (as further described below) of any such plan, account or arrangement (each, a "**Plan**").

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code or an entity whose underlying assets are considered to include "plan assets", as described above (a "**Benefit Plan**") and prohibit certain transactions involving the assets of a Benefit Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such a Benefit Plan or the management or disposition of the assets of such a Benefit Plan, or who renders investment advice for a fee or other compensation to such a Benefit Plan, is generally considered to be a fiduciary of the Benefit Plan.

In considering an investment in the Notes of a portion of the assets of any Plan, a fiduciary should consult with its counsel in order to determine the suitability of the notes for such Plan, including whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law and the need for, and the availability, if necessary, of any exemptive relief under any such laws or regulations. In addition, a fiduciary of a Plan should consult with its counsel in order to determine if the investment satisfies the fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

Each Benefit Plan, including IRAs and other arrangements that are subject to Section 4975 of the Code, should consider the fact that none of the Issuer, the Guarantors or the Initial Purchasers or any of their respective affiliates, agents or employees (the "**Transaction Parties**") is acting, or will act, as a fiduciary to any Benefit Plan with respect to the decision to purchase or hold the Notes. The Transaction Parties are not undertaking to provide impartial investment advice or advice based on any particular investment need, or to give advice in a fiduciary capacity, with respect to the decision to purchase or hold the Notes. All communications, correspondence and materials from the Transaction Parties with respect to the Notes are intended to be general in nature and are not directed at any specific purchaser of the Notes, and do not constitute advice regarding the advisability of investment in the Notes for any specific purchaser. The decision to purchase and hold the Notes must be made solely by each prospective Benefit Plan purchaser on an arm's length basis.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit Benefit Plans from engaging in certain transactions involving "plan assets" of such Benefit Plans with persons or entities who are "parties in interest", within the meaning of ERISA, or "disqualified persons", within the meaning of Section 4975 of the Code, unless a statutory or administrative exemption is applicable to the transaction. Such parties in interest or disqualified persons could include, without limitation, any of the Transaction Parties. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the Benefit Plan that engaged in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. For example, the acquisition and/or holding of Notes by a Benefit Plan with respect to which a Transaction Party is considered a party in interest or disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, certain exemptions from the prohibited transaction rules could be applicable to the purchase and holding of Notes by a Benefit Plan, depending on the type and circumstances of the fiduciary making the decision to acquire such Notes and the relationship of the party in interest or disqualified person to the Plan. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for certain transactions between a Benefit Plan and non-fiduciary service providers to the Benefit Plan. In addition, the United States Department of Labor has issued prohibited transaction class exemptions ("**PTCEs**") that may apply to provide exemptive relief for direct and indirect prohibited transactions arising in connection with the acquisition and holding of the Notes. These class exemptions (as may be amended from time to time) include, without limitation, PTCE 84-14 (respecting transactions effected by independent "qualified professional asset managers"), PTCE 90-1 (respecting investments by insurance company pooled separate accounts), PTCE 91-38 (respecting investments by bank collective investment funds), PTCE 95-60 (respecting investments by life insurance company general accounts) and PTCE 96-23 (respecting transactions directed by in-house asset managers).

Each of these exemptions contains conditions and limitations on its application. Thus, the fiduciaries of a Benefit Plan that is considering acquiring and/or holding the Notes in reliance of any of these or any other exemption should carefully review the conditions and limitations of the exemption and consult with their counsel to confirm that it is applicable. There can be no, and we do not provide any, assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving the Notes, or that all of the conditions of any such exemptions or any other exemptions will be satisfied.

Plans that are not subject to the fiduciary responsibility or prohibited transaction requirements of Title I of ERISA or Section 4975 of the Code may nevertheless be subject to Similar Laws that include similar requirements. Any fiduciary of such Plans should determine the need for, and, if necessary, the availability of, any exemptive relief under such Similar Laws.

Because of the foregoing, the Notes (including any interest in a Note) should not be purchased or held by any person investing "plan assets" of any Plan, unless such purchase and holding (i) are entitled to exemption relief from the prohibited transaction provisions of ERISA and the Code and are otherwise permissible under all applicable Similar Laws or (ii) would not otherwise constitute a non-exempt prohibited transaction under Title I of ERISA or Section 4975 of the Code or any violation of applicable Similar Laws.

The foregoing discussion is general in nature and is not intended to be all-inclusive, nor should it be construed as legal advice. Due to the complexity of these rules and the excise taxes, penalties and liabilities that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering acquiring the Notes on behalf of, or with the assets of, any Plan, consult with their counsel regarding the suitability of an acquisition of the Notes in light of such prospective purchaser's particular circumstances, potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investments and whether an exemption would be necessary and, if so, applicable to the purchase and holding of the Notes. Purchasers have exclusive responsibility for ensuring that their purchase and holding of the Notes (or any interest therein) do not violate the fiduciary responsibility or prohibited transaction provisions of Title I of ERISA, Section 4975 of the Code, or any applicable Similar Laws. The sale of a Note to a Plan is in no respect a representation by any Transaction Party or any of their respective affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan or that such investment is appropriate for Plans generally or any particular Plan.

Representation

Accordingly, by acceptance of a Note, or any interest therein, each purchaser and subsequent transferee will be deemed to have represented and warranted that (x) either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the Note constitutes assets of any Plan; or (ii) the acquisition and holding of the Note by such purchaser or transferee does not and will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or any violation of applicable Similar Laws, and (y) none of the Transaction Parties has acted, is acting, or will act, as a fiduciary to any Plan with respect to the decision to purchase or hold the Notes or is undertaking to provide impartial investment advice or give advice in a fiduciary capacity with respect to the decision to purchase or hold the Notes.

PLAN OF DISTRIBUTION

Subject to the terms and conditions contained in the purchase agreement among, *inter alios*, the Issuer and the Initial Purchasers dated as of the date of this Offering Memorandum (the "**Purchase Agreement**"), the Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have severally agreed to purchase from the Issuer, the entire principal amount of the Notes. The Initial Purchasers are J.P. Morgan AG, Goldman Sachs Bank Europe SE and UniCredit Bank AG. Sales in the United States may be made through affiliates of the Initial Purchasers.

The obligations of the Initial Purchasers under the Purchase Agreement, including their agreement to purchase Notes from us, are several and not joint. The Purchase Agreement provides that the Initial Purchasers will purchase all of the Notes being sold pursuant to the Purchase Agreement if any of them are purchased.

The Initial Purchasers initially propose to offer the Notes for resale at the issue price that appears on the cover page of this Offering Memorandum. After the initial offering, the Initial Purchasers may change the offering price and any other selling terms without notice. The Initial Purchasers may offer and sell Notes through certain of their affiliates.

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 Purchase Agreement also provides that the Issuer and the Guarantors will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. None of the Issuer or the Guarantors will for a period of 45 days after the date of the Purchase Agreement, offer, sell, contract to sell or otherwise dispose of, except the Notes and the guarantees thereof, any debt securities issued or guaranteed by the Guarantors or the Issuer and having a tenor of more than one year that are substantially similar to the Notes without the prior written consent of the Initial Purchasers under the Purchase Agreement.

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 of this Offering Memorandum.

The Notes and the Notes Guarantees have not been and will not be registered under the U.S. Securities Act or the securities laws of any other jurisdiction and may not be offered or sold within the United States except to qualified institutional buyers in reliance on Rule 144A and to persons who are not U.S. persons in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under "*Important Information*" and "*Transfer Restrictions*". In the Purchase Agreement, each Initial Purchaser has represented and agreed that:

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

In the Purchase Agreement, each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available to and will not offer, sell or otherwise make available any securities to any retail investor in the EEA. 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) MiFID II; (ii) a customer within the meaning of 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 as defined in the Prospectus Regulation and, in Italy, Article 35, paragraph 1, letter d) and Annex 3 of Regulation No. 20307 of February 15, 2018 issued by the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") and Article 34-*ter*, paragraph 1, letter b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended, pursuant to Article 100, paragraph 3, letter a), of Legislative Decree no. 58 of February 24, 1998.

Consequently no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been or will be prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation. This Offering Memorandum has been prepared on the basis that any offer of Notes (i) in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of Notes and (ii) in the UK will be made pursuant to an exemption under the UK Prospectus Regulation from a requirement to publish a prospectus for offers of such securities. This Offering Memorandum is not a prospectus for the purpose of the Prospectus Regulation or the UK Prospectus Regulation. In the Purchase Agreement, each Initial Purchaser has represented and agreed that the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in 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 (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by the UK PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the UK has been or will be prepared and, therefore, offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

No action has been taken in any jurisdiction, including the United States, Italy, and the United Kingdom, by us 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 us 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 of the Notes, the distribution of this Offering Memorandum and resale of the Notes. See "*Transfer restrictions*".

It is expected that delivery of the Notes will be made against payment therefor on or about the Issue Date, which will be the fifth business day following the date of pricing of the Notes (such settlement being herein referred to as "**T+5**"). Under Rule 15(c)6-l under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trades expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next two succeeding business days will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

The Notes are a new issue of securities, and there is currently no established trading market for the Notes. In addition, the Notes are subject to certain restrictions on resale and transfer as described under "*Transfer restrictions*". The Issuer has applied to list the Notes on the Official List of the LuxSE and to have the Notes admitted to trading on the Euro MTF Market. However, the Issuer cannot assure you that such listing will be accepted or maintained.

The Initial Purchasers have advised us that they intend to make a market in the Notes, as permitted by applicable law. The Initial Purchasers are not, however, obligated to make a market in the Notes and may discontinue any market making in the Notes at any time in their sole discretion without notice. In addition, any such market making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act. Accordingly, we cannot assure you that any market will develop for the Notes or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors. See "*Risk factors—Risks Related to the Notes, the Notes Guarantees and the Collateral—There may not be an active trading market for the Notes, in which case your ability to sell the Notes will be limited".*

You should be aware that the laws and practices of certain countries require investors to pay stamp duty, taxes and other charges in connection with purchases of securities.

In connection with the Offering, the Stabilization Manager, or a person acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. The Stabilization Manager may also over-allot the offering, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilization Manager may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilization 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 the existence of trading markets for, the Notes.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transaction. These transactions 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 commenced, may be discontinued at any time at the sole discretion of the Initial Purchasers. If these activities are commenced, they must end no later than the earlier of 30 days after the date of issuance of the Notes and 60 days after the date of allotment of the Notes. These transactions may be effected in the over-the-counter market or otherwise.

The Initial Purchasers and/or their respective 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, provide currently and may provide in the future, commercial lending and banking, investment banking, hedging, consulting and financial advisory services to the Issuer, the Guarantors and their respective subsidiaries and affiliates in the ordinary course of business for which they have received, and in the future may receive, customary fees, commissions and expenses. The Initial Purchasers or their respective affiliates are lenders or agents under the Revolving Credit Facility and receive customary fees for their services in such capacities and certain of Initial Purchasers or their respective affiliates may hold Existing Notes. We intend to use a portion of the net proceeds from the offering to redeem the Existing Floating Rate Notes (as described under "*Use of proceeds*") and, to the extent that the Initial Purchasers or their respective affiliates hold the Existing Floating Rate Notes, they will receive a portion of the proceeds of the offering. In addition, each of the Initial Purchasers or their respective affiliates have committed to fund a senior secured bridge facility to provide financing for the

Acquisition in the event the offering of the Notes is not consummated, and such entities will receive customary fees in respect thereof.

In addition, in the ordinary course of their business activities, the Initial Purchasers and 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/or instruments of the Issuer, the Guarantors or their respective affiliates (including the Notes). The Initial Purchasers or their affiliates may also receive allocations of the Notes. Funds and/or other investment vehicles advised by affiliates of The Carlyle Group are expected to place a purchase order for and be allocated Notes at a purchase price per Note equal to the relevant issue price set forth on the cover page of this Offering Memorandum.

Certain of the Initial Purchasers or their affiliates that have a lending relationship with the Issuer or its affiliates rountinely hedge, and certain of those Initial Purchasers or their affiliates may hedge, their credit exposure to the Issuer and/or its affiliates consistent with their customary risk management policies. Typically, such 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 securities (including potentially the Notes). Any such short positions could adversely affect future trading prices of Notes. The Initial Purchasers and their affiliates may also make investment recommendations and/or 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/or short positions in such securities and instruments.

TRANSFER RESTRICTIONS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes and the Notes Guarantees offered hereby.

The Notes and the Notes Guarantees are subject to restrictions on transfer as summarized below. By purchasing Notes, you will be deemed to have made the following acknowledgements, representations to and agreements with the Issuer and the Initial Purchasers:

(1) You understand and acknowledge that:

(i) the Notes have not been registered under the U.S. Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the U.S. Securities Act or any other securities laws; and

(ii) unless so registered, the Notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraphs 5, 6 and 7 below.

(2) You acknowledge that this Offering Memorandum relates to an offering that is exempt from registration under the U.S. Securities Act or any other applicable securities laws and may not comply in important respects with SEC rules that would apply to an offering document relating to a public offering of securities.

(3) You represent that you are not an "affiliate" (as defined in Rule 144 under the U.S. Securities Act) of the Issuer, that you are not acting on our behalf and that either:

(i) you are a "qualified institutional buyer" (as defined in Rule 144A under the U.S. Securities Act) and are purchasing Notes for your own account or for the account of another qualified institutional buyer, and you are aware that the Initial Purchasers are selling the Notes to you in reliance on Rule 144A; or

(ii) you are not a "U.S. person" (as defined in Regulation S under the U.S. Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing Notes in an offshore transaction in accordance with Regulation S.

(4) You acknowledge that none of the Issuer, the Guarantors, the Initial Purchasers or any person representing the Issuer, the Guarantors or the Initial Purchasers has made any representation to you with respect to the Issuer, the Guarantors or the offering of the Notes, other than the information contained in this Offering Memorandum. Accordingly, you acknowledge that no representation or warranty is made by the Initial Purchasers or any person representing the Initial Purchasers as to the accuracy or completeness of such materials. You represent that you are relying only on this Offering Memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning the Group and the Notes as you have deemed necessary in connection with your decision to purchase Notes, including an opportunity to ask questions of and request information from the Group and the Initial Purchasers.

(5) You represent that you are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the Notes pursuant to Rule 144A or any other available exemption from registration under the U.S. Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing Notes, and each subsequent holder of the Notes by its acceptance

of the Notes will agree, that until the end of the Resale Restriction Period (as defined below), the Notes may be offered, sold or otherwise transferred only:

(i) to the Issuer, the Guarantors or any subsidiaries thereof;

(ii) under a registration statement that has been declared effective under the U.S. Securities Act;

(iii) for so long as the Notes are eligible for resale under Rule 144A, to a person the seller reasonably believes is a qualified institutional buyer that is purchasing for its own account or for the account of another qualified institutional buyer and to whom notice is given that the transfer is being made in reliance on Rule 144A;

(iv) through offers and sales to non-U.S. persons that occur outside the United States within the meaning of Regulation S under the U.S. Securities Act;

(v) under any other available exemption from the registration requirements of the U.S. Securities Act,

subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control and to compliance with any applicable state securities laws and any applicable local laws and regulations.

You also acknowledge that to the extent that you hold the Notes through an interest in a global note, the Resale Restriction Period (as defined below) may continue until one year after the Issuer, or any affiliate of the Issuer, was the owner of such note or an interest in such global note, and so may continue indefinitely.

(6) You also acknowledge that:

(i) the above restrictions on resale will apply from the closing date until the date that is one year (in the case of Rule 144A Notes) after the later of the closing date, the closing date of the issuance of any additional Notes and the last date that we or any of our affiliates was the owner of the Notes or any predecessor of the Notes or 40 days (in the case of Regulation S Notes) after the later of the closing date and when the Notes or any predecessor of the Notes are first offered to persons other than distributors (as defined in Rule 902 of Regulation S) in reliance on Regulation S (the "**Resale Restriction Period**"), and will not apply after the applicable Resale Restriction Period ends;

(ii) if a holder of Notes proposes to resell or transfer Notes under clause (5)(iii) above before the applicable Resale Restriction Period ends, the seller must deliver to the Issuer and the Trustee a letter from the purchaser in the form set forth in the Indenture which must provide, among other things, that the purchaser is an qualified institutional buyer that is acquiring the Notes not for distribution in violation of the U.S. Securities Act;

(iii) the Issuer, the Registrar and the Trustee reserve the right to require in connection with any offer, sale or other transfer of Notes under clauses 5(iii) and (iv) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Issuer, the Registrar and the Trustee; and

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 "**U.S. SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, 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, SUCH REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE THAT IS [*IN THE CASE OF RULE 144A NOTES*: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY)] [*IN THE CASE OF REGULATION S NOTES*: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S) IN RELIANCE ON REGULATION S], ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT ("**RULE 144A**"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A 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 TO NON- U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT, OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. 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'S, THE REGISTRAR'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSES (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. [*IN THE CASE OF REGULATION S NOTES*: BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT.]

If you purchase Notes, you 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) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of such Notes.

(8) You acknowledge until 40 days following the commencement of this offering, an 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 U.S. Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the U.S. Securities Act.

(9) You acknowledge that the Trustee will not be required to accept for registration or transfer any Notes acquired by you except upon presentation of evidence satisfactory to the Issuer and the Trustee that the restrictions set forth therein have been complied with.

(10) You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that

if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of Notes are no longer accurate, you will promptly notify the Issuer and the Initial Purchasers. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

(11) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer, the Guarantors or any of 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 us 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 forth under "*Plan of Distribution*".

(12) By acquiring the Notes, you will be deemed to have further represented and agreed as follows: (A) with respect to the acquisition, holding and disposition of the Notes, or any interest therein, either (i) no portion of the assets used by you to acquire or hold the Notes constitutes assets of any employee benefit plan that is subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), individual retirement account or other plan or arrangement that is subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the "**Code**"), employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA), non-U.S. plans (as described in Section 4(b)(4) of ERISA) or other plans that are not subject to the foregoing but may be subject to federal, state, local, non-U.S. or other laws, rules or regulations that are similar to such provisions of ERISA or the Code (collectively, "**Similar Laws**"), or entity whose underlying assets are considered to include "plan assets" (within the meaning of 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA)) of any such plan, account or arrangement (each, a "**Plan**"), or (ii) the acquisition and holding of the Notes by you does not and will not constitute or result in a non-exempt prohibited transaction under the provisions of Section 406 of ERISA or Section 4975 of the Code, or any violation of Similar Laws, and (B) none of the Issuer, the Guarantors or any of the Initial Purchasers or any other party to the transactions contemplated by this Offering Memorandum or any of their respective affiliates is acting, or will act, as a fiduciary to any Plan with respect to the decision to purchase or hold the Notes or is undertaking to provide impartial investment advice or give advice in a fiduciary capacity with respect to your decision to purchase or hold the Notes.

(13) You represent, warrant and agree that:

(i) if you (or, if you are not the beneficial owner, the beneficial owner) are not a United States person as defined in Section 7701(a)(30) of the Code, (i) you (or the beneficial owner) qualify for an exemption from U.S. federal withholding tax with respect to payments of interest pursuant to an applicable income tax treaty to which the United States is a party; or (ii)(x) you (or the beneficial owner) do not, actually or constructively, own 10% or more of the Issuer's voting stock within the meaning of Section 871(h)(3) of the Code; (y) you are not a controlled foreign corporation related to the Issuer through actual or constructive stock ownership for U.S. federal income tax purposes; and (z) you are not a bank;

(ii) you (and any intermediary through which you hold the Notes) qualify for an exemption from any taxes imposed under the U.S. Foreign Account Tax Compliance Act (which shall, for this purpose, refer to any taxes imposed under Sections 1471 through 1474 of the Code (and any amended or successor version), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code, or any law or regulation implementing an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing);

(iii) you are able to provide any required U.S. tax documentation to certify to the foregoing representations or to your status as a United States person as defined in Section 7701(a)(30) of the Code upon reasonable request by the Issuer or an applicable withholding agent; and

(iv) you agree to give to each person to whom you transfer the Notes notice of its requirement to meet the foregoing tax representations and documentation requirements.

LEGAL MATTERS

The validity of the Notes and certain other legal matters are being passed upon for us by Latham & Watkins LLP with respect to matters of U.S. federal, New York state, English, Italian and Spanish law, by KPMG Studio Associato with respect to matters of Italian tax law and by Kromann Reumert with respect to matters of Danish law. Certain legal matters will be passed upon for the Initial Purchasers by Milbank LLP with respect to matters of U.S. federal, New York state and English law, by Gattai Minoli Agostinelli & Partners with respect to matters of Italian law, by J&A Garrigues, S.L.P. with respect to matters of Spanish law and by Gorrissen Federspiel Advokatpartnerselskabwith respect to matters of Danish law.

INDEPENDENT AUDITORS

The consolidated financial statements of International Design Group S.p.A. for the years ended December 31, 2019 and 2020, of which the English translation 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 at 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, of January 27, 2010.

AVAILABLE INFORMATION

Each purchaser of Notes from an Initial Purchaser will be furnished an electronic 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:

(1) 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;

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to clause (1) above, no person has been authorized to give any information or to make any representation concerning the Notes or the Notes Guarantees 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 either 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 U.S. Securities Act, we will, during any period in which we are not subject to Section 13 or 15(d) under the U.S. Exchange Act, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), 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 U.S. 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 Via Alessandro Manzoni 38, 20121 Milan, Italy.

We are currently not subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to each of the Indenture, we will agree to furnish periodic information to the holders of the Notes. See "*Description of Notes—Certain Covenants—Reports*". Copies of the Indenture (which includes the form of the Notes) and the Intercreditor Agreement may also be obtained by request to the Issuer.

So long as the Notes are admitted to trading on the Euro MTF Market and to listing on the Official List of the LuxSE, and the rules and regulations of such stock exchange so require, copies of such information will also be available for review during the normal business hours on any business day at the specified office of the paying agent in Luxembourg.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer of the Notes is incorporated under the laws of Italy. The Initial Guarantors of the Notes are incorporated under the laws of Italy, Denmark and Spain. The U.S. Guarantors are incorporated under the laws of the State of Delaware. The Indenture (including the Notes Guarantees) and the Notes will be governed by New York law. The Intercreditor Agreement and the Revolving Credit Facility are governed by the laws of England and Wales. The documents relating to the Initial Collateral for the Notes will be governed by the Italian, Danish and Spanish law. All of the directors and executive officers of the Issuer and of the Initial Guarantors are non-residents of the United States. Because substantially all of the assets of the Issuer and of the Initial Guarantors, and its and their directors and executive officers, are located outside the United States, any judgment obtained in the United States against the Issuer or the Initial Guarantor or any such other non-U.S. resident person, including judgments with respect to the payment of principal, premium (if any) and interest on the Notes or any judgment of a U.S. court predicated upon civil liabilities under U.S. federal or state securities laws, may not be collectible in the United States. Furthermore, although the Issuer and the Initial Guarantor will appoint an agent for service of process in the United States and will submit to the jurisdiction of New York courts, in each case, in connection with any action in relation to the Notes and the Indenture or under U.S. federal or state securities laws, it may not be possible for investors to effect service of process on us or on such other persons as mentioned above within the United States in any action, including actions predicated upon the civil liability provisions of U.S. federal or state securities laws. It may be possible for investors to effect service of process within other jurisdictions (including Italy, Spain, and Denmark) upon those persons, the Issuer or any Initial Guarantor of the Notes provided that, for example, The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

If a judgment is obtained in a U.S. court against the Issuer or any guarantor of the Notes, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. Even though the enforceability of U.S. court judgments outside the United States is described below for the countries in which each of the guarantor or the collateral is located, you should consult with your own advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States.

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) and the Initial Guarantors' approval of documentation that they are a party to, are governed by Italian, Danish and Spanish law.

Italy

Recognition and enforcement in Italy of final judgments rendered by U.S. courts, including judgments obtained in actions predicated upon the civil liability provisions of the U.S. federal or state securities laws, may not require retrial and will be enforceable in Italy, provided that pursuant to Article 64 of Italian Law No. 218 of May 31, 1995 (*Riforma del sistema italiano di diritto internazionale privato*), among others, the following conditions are met:

- the U.S. court which rendered the final judgment had jurisdiction according to Italian law principles of jurisdiction;
- the relevant summons and complaint was appropriately served on the defendants in accordance with U.S. law and during the proceedings the essential rights of the defendant have not been violated;
- the parties to the proceeding appeared before the court in accordance with U.S. law or, in the event of the defendant party's failure to appear before the court, the U.S. court declared such default in accordance with U.S. law;

- the judgment is final and not subject to any further appeal in accordance with U.S. law;
- there is no conflicting final judgment rendered by an Italian court;
- there is no action pending in Italy among the same parties for decision on the same matter which commenced prior to the action in the United States; and
- the provisions of such judgment would not violate Italian public policy (*ordine pubblico*).

In addition, pursuant to Article 67 of Italian Law No. 218 of May 31, 1995, if a judgment rendered by a U.S. court is not complied with, its recognition is challenged or its compulsory enforcement is necessary, then a proceeding shall be initiated before the competent Court of Appeal in Italy to that end. The competent Court of Appeal does not consider the merits of the case but exclusively ascertains the fulfillment of all the conditions set out above.

In original actions brought before Italian courts, the enforceability of liabilities or remedies based solely on the U.S. federal securities law is debatable. 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 the U.S. law provisions or grant some of the remedies sought (e.g., punitive damages) if their application violates Italian public policy and/or any mandatory provisions of Italian law.

Denmark

We have been advised by our Danish counsel that the United States and Denmark currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters (as opposed to arbitration awards). Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws enforceable in the United States, would not be recognized or enforceable in Denmark. A final judgment properly obtained in a U.S. court will therefore neither be recognized nor enforced by the Danish courts without re-examination of the substantive matters thereby adjudicated. In connection with any such re-examination, the judgment will generally be accepted as material evidence, but the parties must provide the Danish courts with satisfactory information about the contents of the relevant foreign law and, if they fail to do so, the Danish courts may apply Danish law instead. Further, certain remedies available under U.S. law may not be allowed in Danish courts as contrary to Danish public policy, including, among other remedies, punitive damages.

Spain

Certain Guarantors are organized under the laws of Spain and a significant portion of their assets are located in Spain. As a result, any judgment based on civil liability obtained against the companies incorporated in Spain rendered outside of Spain in a country which: (a) is not bound by the provisions of EU Regulation 1215/2012 of the European Parliament and of the Council of December 12, 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters; and (b) is not party to an international treaty providing for the recognition and enforcement of judgments between the countries where the judgements seeking for enforcement in Spain were rendered, would not be directly recognized or enforceable in Spain in accordance with and subject to Article 523 of the Spanish Civil Procedure Act as amended (*Ley 1/2000, de 7 de enero de Enjuciamiento Civil*) (the "**Spanish Civil Procedure Act**") and subject to Law 29/2015, of July 30, 2015, on International Legal Cooperation in Civil Matters (*Ley 29/2015, de 30 de julio, de Cooperación Jurídica Internacional en materia civil*) (the "**Law on International Legal Cooperation in Civil Matters**").

Accordingly, provided that the United States and Spain are not party to any international treaty providing the reciprocal recognition and enforcement of judgments, a judgment rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws, enforceable in the United States, would not be directly recognized or enforceable in Spain, in accordance with and subject to Article 523 of the Spanish Civil Procedure Act and subject to the Law on International Legal Cooperation in Civil Matters.

A party in whose favor such judgment was rendered should initiate the recognition proceedings (*exequatur*) in Spain before the relevant Court of First Instance (*Juzgado de Primera Instancia*) or Commercial Court (*Juzgado de lo Mercantil*), as the case may be, pursuant to Article 52 of the Law on International Legal Cooperation in Civil Matters. According to the Law on International Legal Cooperation in Civil Matters, recognition and enforcement in Spain of such U.S. judgment could be obtained provided that the following conditions are met (which do not include, under prevailing Spanish case law, a review by the Spanish Court of First Instance or Commercial Court, as the case may be, of the merits of the foreign judgment):

- the U.S. foreign judgment is final and conclusive (*firme*);
- the U.S. foreign judgment does not contravene Spanish public policy (*orden público*) or mandatory provisions;
- such U.S. judgment was rendered by a court having jurisdiction over the matter since the dispute is clearly connected to the United States and the choice of the court is not fraudulent;
- there is no material contradiction or incompatibility of the U.S. judgment with a judgment rendered in Spain; and there is no pending proceeding between the same parties and in relation to the same issues in Spain initiated prior to the U.S. proceeding;
- that there is not an ongoing proceeding between the same parties and dealing with the same subject which was opened before a Spanish court prior to the opening of the proceedings before the foreign court;
- the Spanish Guarantor is not subject to an insolvency proceeding in Spain and the foreign judgment does not meet the requirements provided for in the Spanish Recast Insolvency Act;
- there is no material contradiction or incompatibility with an earlier judgment rendered in any other state provided that such judgment complies with the applicable conditions to be enforceable in Spain;
- where rendering the U.S. foreign judgment, the courts rendering it must not have infringed an exclusive ground of jurisdiction provided for in Spanish law or have based their jurisdiction on exorbitant grounds;
- the rights of defense of the defendant have been protected where rendering the foreign judgment, including but not limited to a proper service of process carried out with sufficient time for the defendant to prepare its defense and appear before the courts; and
- the U.S. judgment was not rendered by default (*i.e.* without appearance or without the possibility to appear for the defendant).

The Law on International Legal Cooperation in Civil Matters expressly prohibits that a foreign judgment is reviewed as to its substance (*revision del fondo*) by the Spanish competent court.

According to Article 3.2 of the Law on International Legal Cooperation in Civil Matters, the Spanish Government may deny cooperation with another state's authority if there has been a reiterated refusal to cooperate or a legal prohibition of providing cooperation is imposed by such other state's authority provided that the Spanish Government passes a Royal Decree for these purposes.

In addition, the discovery process under actions filed in the United States could be adversely affected under certain circumstances by Spanish law (relating to communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), which could prohibit or restrict obtaining evidence in Spain or from Spanish persons in connection with a judicial or administrative U.S. action.

Any judgment obtained against the companies incorporated in Spain in any country bound by the provisions of EU Regulation 1215/2012 of the European Parliament and of the Council would be recognized and enforced in accordance with the terms set forth thereby.

The Spanish courts may express any such order in a currency other than euro in respect of the amount due and payable by the Issuer or a Guarantor, but in case of enforcement in Spain, the court costs and interest will be paid in euros.

The enforcement of any judgments in Spain involves, *inter alia*, the following principal actions and costs: (a) documents in a language other than Spanish must be accompanied by a sworn translation into Spanish (translator's fees will be payable); (b) payment of certain professional fees required for the verification of the legal authority of a party litigating in Spain (if needed); (c) the payment of certain court fees; (d) the procedural acts of a party litigating in Spain must be directed by an attorney-at-law and the party must be represented by a court agent (*procurador*); (e) original or authenticated copy of the judgment duly apostilled or legalized must be filed; (f) a document evidencing the service of process in the event that the judgment was rendered in default of appearance must be filed; and (g) evidence of the judgment being final and conclusive (*firme*) and executory must be filed. Under Spanish law, the content and validity of foreign law must be evidenced to the Spanish courts. In addition, in accordance with Article 1 of the Spanish Civil Procedure Act, Spanish civil proceedings rules cannot be amended by agreement of the parties and such rules will therefore prevail notwithstanding any provision to the contrary in the relevant agreement or the Notes.

As an alternative to the *exequatur* proceedings, the parties might agree to bring the original action to Spain, so that the dispute is settled by Spanish Courts. Pursuant to Article 54 of the current Spanish Civil Procedure Act, the parties to an agreement are entitled to clearly agree to the submittal to one judge (juzgado) or court (tribunal) (provided that under the Spanish Civil Procedure Act and the Spanish Judicial Law (*Ley 6/1985, de 1 de Julio, Orgánica del Poder Judicial*) the relevant judge or court is competent to solve the corresponding dispute); however, this article does not expressly cover the validity of nonexclusive jurisdiction clauses, at least for conflicts between different Spanish courts.

If an original action is brought in Spain, the choice of law made by the parties may be rejected by Spanish courts on grounds that it contravenes Spanish public policy (*orden público*) or enforcement may not be granted in the event that Spanigh courts deem that a right has been exercised in such a manner to constitute an abuse of right (*abuso de derecho*).

CERTAIN LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE NOTES GUARANTEES AND THE COLLATERAL AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

The following is a summary of certain limitations on the validity and enforceability of the Notes Guarantees and the security interests being provided for the Notes and a summary of certain insolvency law considerations in each of the jurisdictions in which the Issuer and the Guarantors are incorporated or organized. The description below is a summary only, and proceedings (bankruptcy, insolvency or similar events) could be initiated in such jurisdiction and in the jurisdiction of incorporation or organization of any future guarantor or future security provider of the Notes, and it does not purport to be complete or to discuss all the limitations or considerations that may affect the validity and enforceability of the Notes or the Notes Guarantees or security interests being provided for the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction and law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Notes Guarantees and the security interests in the Collateral. Prospective investors should consult their own legal advisors with respect to such limitations and considerations.

European Union

The Issuer and certain Guarantors are organized under the laws of Member States of the European Union.

Regime Applicable to Insolvency Proceedings opened after June 26, 2017

Regulation (EU) 2015/848 of the European Parliament and of the Council, of May 20, 2015, on insolvency proceedings (the "**Insolvency Regulation**") applies to insolvencies which commence after June 26, 2017 (subject to certain exceptions).

Main insolvency proceedings

Pursuant to Article 3(1) of the Insolvency Regulation, the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the EU member state (other than Denmark) where the company concerned has its "center of main interests" (which according to such Article 3(1) of the Insolvency Regulation is "*the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties*"). The determination of where any such company has its "centre of main interests" is a question of fact on which the courts of the different EU member states may have differing and conflicting views.

The term "center of main interests" is not a static concept and may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to open insolvency proceedings at the time of the filing of the insolvency petition. In the case of a company or legal person, the center of main interests is presumed to be located in the country of the registered office in the absence of proof to the contrary. That presumption shall only apply if the registered office has not been moved to another EU member state within the three-month period prior to the request for the opening of insolvency proceedings. Specifically, the presumption of the center of main interests being at the place of the registered office should be rebuttable if the company's central administration is located in an EU member state other than the one where it has 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 the center of the management of its interests is located in that other EU member state. In that respect, the factors that courts may take into consideration when determining the centre of main interests 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 centre of the company's operations.

If the center of main interests of a company, at the time an insolvency application is made, is located in an EU member state (other than Denmark), only the courts of that EU member state have jurisdiction to open main insolvency proceedings in respect of that company under the Insolvency Regulation. The types of insolvency proceedings which may be opened as main proceedings in the relevant jurisdiction are listed in Annex A to the Insolvency Regulation.

If the center of main interests of a company is in one EU member state (other than Denmark), under Article 3(2) of the Insolvency Regulation, the courts of another EU member state (other than Denmark) have jurisdiction (subject to certain exceptions) to open secondary and territorial insolvency proceedings against that company only if such company has an "establishment" (within the meaning and as defined in Article 2(10) of the Insolvency Regulation) in the territory of such other EU member state. Secondary proceedings may be any insolvency proceeding listed in Annex A of the Insolvency Regulation and, for 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. An "establishment" is defined to mean any place of operations where the company 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. The effects of those insolvency proceedings opened in that other EU member state are restricted to the assets of the company which are situated in such other EU member state.

Pursuant to Article 3(4) of the Insolvency Regulation, where main proceedings in the EU member state in which the company has its centre of main interests have not yet been opened, territorial insolvency proceedings can only be opened in another EU member state where the company has an establishment and either: (a) insolvency proceedings cannot be opened in the EU member state in which the company's center of main interests is situated under that EU member state's law; or (b) the territorial insolvency proceedings are opened at the request of (i) a creditor whose claim arises from the operation of the establishment situated within the territory of the EU member state where the opening of territorial proceedings is requested or (ii) a public authority which, under the law of the EU member state within the territory of which the establishment is situated, has the right to request the opening of such proceedings. When main insolvency proceedings are opened, territorial insolvency proceedings become secondary insolvency proceedings. Irrespective of whether the insolvency proceedings are main or secondary insolvency proceedings, such proceedings will always, subject to certain exemptions, be governed by the *Lex fori concursus*, that is, the local insolvency law of the court that has assumed jurisdiction for the insolvency proceedings of the debtor.

The courts of all EU member states (other than Denmark) must recognize the judgment of the court opening main proceedings (subject to any public policy exceptions) and give the same effect to the order in the other relevant EU member state so long as no secondary proceedings or territorial insolvency proceedings have been opened there and subject to certain other exceptions (for instance, rights *in rem* situated in another EU member state remain subject to the original laws governing such rights). The insolvency officeholder appointed by a court in a EU member state that has jurisdiction to open main proceedings may exercise the powers conferred on him by the law of that EU member state in another EU member state (such as to remove assets of the company from that other EU member state), subject to certain limitations, so long as no insolvency proceedings have been opened in that other EU member state or any preservation measure taken to the contrary further to a request to open insolvency proceedings in that other EU member state where the company has assets. The Insolvency Regulation has created a treatment for groups of companies experiencing difficulties by the commencement of group coordination proceedings and the appointment of an insolvency practitioner in order to facilitate the effective administration of the insolvency proceedings of our group's members.

In addition, the concept of "*group coordination proceedings*" has been introduced in the Insolvency Regulation with the aim of bolstering communication and efficiency in the insolvency of several members of a group of companies in one or more member states of the EU (other than Denmark). Under Article 61 of the 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 practitioner appointed in insolvency proceedings opened in relation to a member of the group. Participation in group proceedings and adherence to the coordinating insolvency practitioner's recommendations or plan however is voluntary.

In the event that the Issuer or the Guarantors experiences 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 and the security of the Issuer and the Guarantors.

Italy

Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral

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 by its bylaws (*statuto sociale*) and is subject to compliance with the rules on corporate benefit, corporate authorization and certain other Italian 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 guarantee or a security interest) must receive a real and adequate benefit in exchange for the guarantee or the security interest being provided by such company. The concept of real and adequate benefit is not defined in the applicable legislation, is assessed and determined by a factual analysis on a case by case basis and its existence is a business decision of the directors and the statutory auditors, if any. 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. While corporate benefit for downstream guarantee or security (i.e., a guarantee guaranteeing or a security interest granted to secure financial obligations of direct or indirect subsidiaries of the relevant grantor) is usually self-evident, the validity and effectiveness of up-stream or cross stream security or guarantee (i.e., security or 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 Italy depend on the existence of a real and adequate benefit in exchange for the granted security interest or guarantee and may be challenged unless it can be proved that the grantor may derive adequate benefits or advantages from the granting of such guarantee or security. In particular, in case of an up-stream and cross-stream guarantee or security 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 the 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 an Italian grantor of security or guarantor under a guarantee must not be disproportionate to the direct or indirect economic benefit to it.

As a general rule, absence of a real and adequate benefit could render the transaction (including granting a security interest or a guarantee entered into) by an Italian company *ultra vires* and potentially affected by a 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 may be imposed on the directors of an Italian grantor if a court holds that it did not act in the best interest of the grantor and that the acts carried out do not fall within the corporate purpose of the company or were against mandatory provisions of Italian law. The lack of corporate benefit could also result in the imposition of civil liabilities on those companies or persons ultimately exercising control over an Italian grantor or having knowingly received an advantage or profit from such improper control. Moreover, the transaction (including 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 up-stream, cross-stream and down-stream guarantees or security interests granted by Italian companies.

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 "**Italian Banking Act**"), whose exercise is exclusively demanded to banks and authorized financial intermediaries. Non-compliance with the provisions of the Italian Banking Act may, among others, entail the relevant guarantees being considered null and void. In this respect, Italian Legislative Decree No. 53 of April 2, 2015, implementing Article 106, paragraph 3, of the Italian Banking Act, states that the issuance of guarantees or the granting of security 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 and controlled 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 relevant guarantors and the guaranteed entity being part of the same group of companies, the provision of the guarantees would not amount to a restricted financial activity.

Financial Assistance

In addition, the granting of a security or a guarantee 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 for a company to give financial assistance (whether by means of loans, security, 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 the Italian company. Financial assistance for refinancing indebtedness originally incurred for the purchase or subscription of its own shares or quotas or those of its direct or indirect parent company would also be a violation of financial assistance provisions. Any loan, guarantee or security given or granted in breach of these provisions is null and void. In addition, directors may be personally liable for failure to act in the best interests of the company.

Article 1938 of the Italian Civil Code

Pursuant to Article 1938 of the Italian Civil Code, if a guarantee granted by a guarantor incorporated under the laws of Italy is issued 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 guarantee deed or by reference to a separate document, such as the Indenture). In addition, as mentioned above, the guarantees granted by a guarantor incorporated under the laws of Italy must be supported by corporate benefit; in other words, the maximum guaranteed amount must be indicated in the guarantee and shall not exceed the financial capabilities of the relevant Italian guarantor. It has been held that such determination must be proportionate to the relevant Italian guarantor's assets. If such determination is deemed disproportional to the assets of the relevant Italian guarantor, there is the risk that the guarantee could be declared void.

Limitations to the Notes Guarantees and Collateral

In order to comply with the above corporate law requirements on corporate benefit and financial assistance, the maximum amount that any Guarantor incorporated under the laws of Italy (each an "**Italian Guarantor**" and, jointly, the "**Italian Guarantors**") may be required to pay in respect of its obligations as Guarantor under the Indenture, the Existing Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement and any other transaction documents related thereto, will be subject to limitations. By virtue of these limitations, an Italian Guarantor's obligation under its Notes Guarantee will be significantly less than amounts payable with respect to the Notes, or an Italian Guarantor may have effectively no obligation under its Notes Guarantee.

In particular, as regards to each of the Italian Guarantors, given the above limitation in relation to Italian financial assistance law and corporate benefit, notwithstanding anything to the contrary provided in the Indenture, the Existing Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement:

(a) the Notes Guarantee and security interests granted by each of the Italian Guarantors will only guarantee and secure the Issuer's obligations under the relevant Tranche of the Notes and shall not exceed at any time an amount equal to the aggregate principal amount of any intercompany loans (including (i) with respect to Flos, the Flos I/C Loan, and (ii) with respect to B&B, the B&B I/C Loan advanced from time to time to the relevant Italian Guarantor (or any of its direct or indirect subsidiaries pursuant to Article 2359 of the Italian Civil Code) by the Issuer (whether directly or indirectly) on or following 22 November 2018, and outstanding at the time of the enforcement of the relevant Notes Guarantee, in each case net of any proceeds already paid pursuant to the enforcement of its guarantee under the Revolving Credit Facility, the Existing Indenture, the Intercreditor Agreement and/or received upon the enforcement of any security interests granted by such Italian Guarantor; provided further that no Italian Guarantor shall be liable as a Guarantor in respect of any amounts in excess of 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 relevant Notes Guarantee;

(b) the maximum amount guaranteed and/or secured by Flos, also in accordance with article 1938 of the Italian Civil Code (where applicable), will not exceed the lower of (i) 120% of the outstanding principal amount of the Notes, and (ii) the original principal amount of the Tranche B (as defined in the "*Use of Proceeds*") under the Notes, reduced, from time to time, by an amount equal to any repayment, prepayment or redemption of the principal amount of the Notes multiplied by the ratio of (I) the original principal amount of the Tranche B (as defined in the "*Use of Proceeds*") under the Notes to (II) the original principal amount of the Notes;

(b) the maximum amount guaranteed and/or secured by B&B, also in accordance with Article 1938 of the Italian Civil Code (where applicable), will not exceed the lower of (i) 120% of the outstanding principal amount of the Notes, and (ii) the original principal amount of the Tranche C (as defined in the "*Use of Proceeds*") under the Notes, reduced, from time to time, by an amount equal to any repayment, prepayment or redemption of the principal amount of the Notes multiplied by the ratio of (I) the original principal amount of the Tranche C (as defined in the "*Use of Proceeds*") under the Notes to (II) the original principal amount of the Notes;

(d) the aggregate amount of interest in respect of the Notes guaranteed and/or secured by an Italian Guarantor will be at any time equal to the interest then outstanding in respect of a principal amount of the Notes equal to the principal amount of the Notes guaranteed and/or secured by the relevant Italian Guarantor at that time;

(e) notwithstanding any provision to the contrary in the Indenture, in order to comply with the mandatory provisions of Italian law in relation to (i) maximum interest rates (including the Italian Usury Law and article 1815 of the Italian Civil Code) and (ii) capitalization of interests (including article 1283 of the Italian Civil Code and article 120 of the Italian Legislative Decree No. 385 of 1 September 1993), the obligations of any of the Italian Guarantors under its Notes Guarantee shall not include and shall not extend to (A) any interest qualifying as usurious pursuant the Italian Usury Law and (B) any interest on overdue amounts compounded in violation of the provisions set forth by article 1283 of the Italian Civil Code and/or article 120 of the Italian Legislative Decree No. 385 of 1 September 1993, respectively; and

(f) any guarantee, indemnity, obligations and liability granted or assumed pursuant to the relevant Notes Guarantee and/or security interest by:

(i) Flos does not (and will not) include and does not (and will not) extend, directly or indirectly, to any amounts and/or payment obligations other than the amounts and/or payment obligations under Tranche B (each as defined in the "*Use of Proceeds*") under the Notes;

(ii) B&B does not (and will not) include and does not (and will not) extend, directly or indirectly, to any amounts and/or payment obligations other than the amounts and/or payment obligations under Tranche C (as defined in the "*Use of Proceeds*") under the Notes.

The abovementioned "virtual tranching" structure in respect of the Notes, which is aimed at identifying the relevant portion of the Notes' proceeds which does not constitute "acquisition debt" and/or refinancing indebtedness in relation to "acquisition debt" in respect of, respectively, Flos and B&B and, therefore, does not fall within the prohibition under Italian financial assistance rules (namely, Article 2358 or 2474, as applicable, of the Italian Civil Code), is untested in Italian courts and it might be deemed not sufficient to clearly distinguish and separate the non-acquisition portion of the Notes' proceeds from any portion of the Notes' proceeds to be utilized to refinance the portion of the Existing Floating Rate Notes that has been utilized to support the acquisition or subscription by the Issuer of the share capital of, respectively, Flos and B&B. Should the Notes Guarantees and/or the security interests granted by Flos and/or B&B, respectively, be deemed by a court or public authority to be contrary to any provisions regulating financial assistance, including Articles 2358 and 2474, as applicable, of the Italian Civil Code, such Notes Guarantees and/or security interests could be declared null and void and the Notes documents will provide that, if and to the extent such Notes Guarantee would result in a breach of any provisions regulating financial assistance, including Articles 2358 and 2474, as applicable, of the Italian Civil Code, applicable to the relevant Italian Guarantor, such Italian Guarantor will be deemed to have no liability thereunder and the Notes Guarantee shall not be in force and effect.

In addition, the obligations of any Italian Guarantor and/or Italian security provider (other than the Parent, Flos and B&B) that becomes a Guarantor and/or a security provider will be subject to the Agreed Security Principles and will be subject to the additional limitations set forth in the relevant supplemental indenture to the Indenture and/or in the applicable security documents, in order for the applicable Italian Guarantor and/or Italian security provider to comply with the above corporate law requirements on, among others, corporate benefit and financial assistance.

The maximum amount that an Italian Guarantor and/or Italian security provider may be required to pay in respect of its obligations as Guarantor under the Indenture and/or security grantor under the relevant security documents upon enforcement of the security interests granted by such Italian Guarantor will ratably concur and not cumulate with the corresponding amounts due by such Italian Guarantor and/or Italian security provider to any guaranteed and/or secured creditor pursuant to the Existing Indenture, the Revolving Credit Facility Agreement and/or the Intercreditor Agreement (including any guaranteed and/or secured creditors with respect to any further pari passu indebtedness contemplated under the Intercreditor Agreement) and/or any security documents, and *vice versa*. For the avoidance of doubt, by virtue of the abovementioned limitations applicable to the guarantees and the security interests granted by an Italian Guarantor, the obligations of each Italian Guarantor as guarantor and/or security provider under the Notes, the Indenture, the Existing Notes, the Existing Indenture, the Revolving Credit Facility Agreement, the Intercreditor Agreement and/or any agreement regulating future pari passu indebtedness contemplated under the Intercreditor Agreement, the security documents relating to the Collateral and any other transaction documents related thereto shall not be deemed to be cumulative and shall be considered without duplication, and the transaction documents will provide that the aggregate amount of the proceeds deriving from any enforcement of any such guarantee and/or security obligations of the relevant Italian Guarantor shall not exceed on an aggregate basis the limit of the relevant Italian Guarantor's credit support as described above.

The proceeds of the enforcement of said guarantees and/or security interests will be distributed amongst the guaranteed and/or secured creditors (including, without, limitation, the holders of the Notes) in accordance with the provisions of the Intercreditor Agreement. Accordingly, the holders of the Notes will be able to recover limited amounts under the relevant Notes Guarantees and security.

Trust

The Collateral will be created and perfected in favor of the Security Agent acting in its capacity as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code. Under such provision (introduced by Italian Law No. 164 of November 11, 2014), the security interests and guarantees assisting bond issuances can be validly created in favor of the holders of the notes or in favor of a representative (*rappresentante*) of the holders of the Notes who will then be entitled to exercise in the name and on behalf of the holders 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 case law 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 the holders of the Notes which are neither directly parties to the Collateral nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries.

In addition, as the holders of the Notes are not direct parties 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 under the Security Documents and/or that the *rappresentante* cannot exercise the rights and enforce the 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, it cannot be excluded that an Italian Court may take a different view and interpretation and determine that, where the Collateral is granted in favor of the *rappresentante*, the holders of the Notes at the time of enforcement are not secured by the Collateral and/or cannot enforce that Collateral.

Furthermore, to date, the Italian courts have not considered whether a common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code may be validly appointed by means of a contractual arrangement (such as the Indenture) and the validity and enforceability of such appointment may not be upheld by a court.

Moreover, 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 trustee under security interests granted over Italian assets is uncertain under Italian law.

Certain additional Considerations in Relation to Notes Guarantees and Collateral

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*, 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 a *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 (including Flos and B&B) under the relevant intercompany loans. Accordingly, an Italian court may conclude that the obligations of any Italian subsidiary under any intercompany loan (including the Flos I/C Loan and/or the B&B I/C Loan) are subordinated to all its obligations towards other creditors. Should any of the obligations of any subsidiary under any intercompany loan or note 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 or note granted to the Italian subsidiaries (including Flos and B&B), 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 or notes 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 notes or any guarantees and/or security interests granted by such Italian subsidiaries (including Flos and B&B) may be impaired or restricted.

However, due to the COVID-19 emergency, the Liquidity Decree according to which the provisions summarized above are temporarily frozen and therefore loans granted 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 limited liability company (*società a responsabilità limitata*) during the period between April 9, 2020 and December 31, 2020 are exempted from the application of the so-called "*equitable subordination*" rule.

Certain Limitations on Enforcement

The enforcement of security interests by creditors in Italy can be complex and time consuming, especially in a liquidation scenario, given that Italian courts maintain a significant role in the enforcement process in comparison to other jurisdictions with which the holders of the Notes may be familiar. The two primary goals of the Italian law are first, to maintain employment, and second, to liquidate the debtor's assets for the satisfaction of creditors. These competing goals often have been balanced by the sale of businesses as going concerns and by ensuring that employees are transferred along with the businesses being sold.

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—Bankruptcy proceedings (fallimento)*" below. 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.

Furthermore, in the event that the limitations on the guarantee issued by a guarantor incorporated under the laws of Italy apply and/or there are payment obligations under any Notes other than in respect of principal or interest, the noteholders could have a reduced claim against the relevant guarantor.

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:

- the enforcement of obligations may be limited by the insolvency proceedings listed below relating to or affecting the rights of creditors;
- 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;
- 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;
- 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 e decadenze*) or may be or become subject to a claim of set-off (*compensazione*) or to counterclaim;
- pursuant to Article 1241 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 of the same kind and are equally liquid and payable;
- 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;
- the enforceability in Italy of obligations or contractual provisions governed by a foreign law may be limited by the application of Italian overriding mandatory provisions (*norme di applicazione necessaria*) and by the fact that the relevant provisions of foreign laws may be deemed contrary to Italian public policy principles and there is no case law setting out specific criteria for the application of such legal concepts under Italian law;
- 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;
- enforcement of obligations may be invalidated by reason of fraud or abuse of the law (*abuso del diritto*);
- 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;

- 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);
- 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;
- 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;
- 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' committee 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;
- the preemption rights (*prelazione*) granted by a pledge 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;
- 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;
- there could be circumstances in which Italian law would not give effect to provisions concerning advance waivers or forfeitures;
- 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;
- penalties and liquidated damages (*penali*) may be equitably reduced by a court;
- Italian courts do not necessarily give full effect to an indemnity for the costs of enforcement or litigation;
- a security interest does not prevent creditors of the relevant debtor other than the pledge from continuing enforcement or enforcement proceedings on the assets secured by the relevant pledge; and
- 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.
- 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 claw-back 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:

- 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
- that, in the case of non-gratuitous acts, 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.

Certain Italian insolvency law considerations

The insolvency laws of Italy may not be as favorable to investors' interests as those of other jurisdictions with which investors may be familiar. In Italy, courts play a central role in the insolvency process. Moreover, in court procedures may be materially more complex and the enforcement of security interests by creditors in Italy can be more time-consuming than in equivalent situations in jurisdictions with which holders of the Notes may be familiar.

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 it provides a comprehensive description of insolvency laws application where public companies are involved. Insolvency laws and regulations have been substantially reviewed and significant amendments are expected in the near future. In particular, the Italian Government approved on January 12, 2019 the Legislative Decree No. 14 of January 12, 2019 implementing the guidelines contained in Law No. 155 dated October 19, 2017 contending the scheme of a new comprehensive legal framework in order to regulate, *inter alia*, insolvency matters (the "**Legislative Decree**"), which enacts a new comprehensive legal framework in order to regulate, *inter alia*, insolvency matters (so called "**Code of Business Crisis and Insolvency**", hereinafter the "**Insolvency Code**"). The Legislative Decree was published in the Gazzetta Ufficiale on February 14, 2019 no. 38 — Suppl. Ordinario no. 6. The main innovations introduced by the Insolvency Code include: (i) the elimination of the term "bankrupt" (*fallito*) due to its negative connotation and the replacement of bankruptcy proceedings (*fallimento*) with a judicial liquidation (*liquidazione giudiziale*); (ii)a new definition of "state of crisis"; (iii) the adoption of the same procedural framework in order to ascertain such state of crisis and to access the different judicial insolvency proceedings provided for by the same Insolvency Code; (iv) the adoption of the definition of debtor's "center of main interest" as provided in the new set of rules concerning group restructurings; (v) restrictions to the use of the pre-bankruptcy composition with creditors (*concordato preventivo*) in order to favor going-concern proceedings; (vi) a new preventive alert and mediation phase to avoid insolvency; (vii) jurisdiction of specialized courts over proceedings involving large debtors; (viii) amendments to certain provisions of the Italian Civil Code aimed at ensuring the general effectiveness of the reform.

In response to the COVID-19 pandemic, such entry into force of the Insolvency Code has been currently postponed to September 1, 2021, according to Article 5 of the Law Decree No. 23 of 8 April 2020 ("**Liquidity Decree**"), converted into law on June 5, 2020 no. 40. Until that date, insolvency proceedings will continue to be governed by Italian Royal Decree No. 267 of March 16, 1942 (the "**Italian Bankruptcy Law**"), as in force before. Therefore, the practical consequences of its implementation and its potential impact on the existing insolvency proceedings cannot to date be foreseen and significant amendments are expected in the near future that may impact the provisions set forth therein.

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 reforms that have been implemented by the Italian Government on the main Italian bankruptcy legislation as defined below are: (i) the reform approved 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 Italian Law No. 132 of August 6, 2015, effective August 21, 2015 ("**Law 132/2015**") and (ii) the amendments implemented by means of the adoption of (a) the Law Decree No. 59 of May 3, 2016, converted into law by Italian Law No. 119 of June 30, 2016, and (b) Italian Law No. 232 of December 11, 2016.

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' claim as well as, in case of the "*Prodi-bis*" procedure or "*Marzano*" procedure, to maintain employment. These competing aims often have been balanced by the sale of 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 (*fallimento*) 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, as defined under Article 5 of the Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations as they come due. This must be a permanent, and not a temporary status 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 and, in general, 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 of being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions.

The following debt restructuring and bankruptcy alternatives are available under Italian law for companies in a state of crisis and for insolvent companies. *Restructuring outside of a judicial process (accordi stragiudiziali)*

Restructuring generally takes place through a formal judicial process because it is more favorable for the debtor and because informal out-of-court 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, and may trigger liabilities in the event of a subsequent bankruptcy. 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 directly by the debtor must verify the feasibility of the restructuring plan and the truthfulness of the business data provided by the company. There is no need to obtain court approval to appoint the expert. 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.

Out-of-court debt restructuring arrangements are not under any form of judicial control or approval and, therefore, no application is required to be filed with the court or supervising authority. Out-of-court debt restructuring arrangements are not required to be approved and consented to by a specific majority of all outstanding claims.

The terms and conditions of these plans are freely negotiable. Unlike in-court pre-bankruptcy agreement proceedings and debt restructuring agreements, out-of-court reorganization plans 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 be declared bankrupt, the payments and/or acts carried out, and/or security interest granted for the implementation of the reorganization plan, subject to certain conditions (a) are not subject to claw-back action; and (b) are exempted from the potential application of certain 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 to 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 pursuant to Article 182-bis of the Italian Bankruptcy Law (accordi di ristrutturazione dei debiti)

The debtor may negotiate debt restructuring agreements with creditors holding at least 60% of the total amount of claims or debts outstanding, subject to court's approval (*omologazione*). An independent expert appointed by the debtor must assess the truthfulness of the business and accounting data provided by the company and declare and that the agreement is feasible and that it ensures that the non-participating creditors can be fully satisfied within the following terms: (a) 120 days from the date of approval of the agreement by the court (*omologazione*), in the case of debts which are due and payable to the non-participating creditors as of the date of the approval (*omologazione*) of the debt restructuring agreement by the court; and (b) 120 days from the date on which the relevant debts fall due, in case of debts which are not yet due and payable to the non-participating creditors as at the date of the approval (*omologazione*) of the debt restructuring agreement by the court. Only a debtor who is insolvent or in a situation of "financial distress" (i.e., facing financial crisis which does not yet amount to insolvency) can initiate this process and request the court's approval (*omologazione*) of the debt restructuring agreement entered into with its creditors.

The agreement is published in the companies' register and becomes 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 conservative or enforcement actions against the assets of the debtor in relation to pre-existing receivables and cannot obtain any security interest (unless agreed) in relation to pre-existing debts. The Italian Bankruptcy Law does not expressly provide for any indications concerning the contents of the debt restructuring agreement. The plan can therefore provide, among others, 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.

The 60-days moratorium can also be requested by the debtor, pursuant to Article 182-*bis* of the Italian Bankruptcy Law, while negotiations with creditors are pending (i.e., prior to the above-mentioned publication of the agreement), subject to 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 filed by the debtor, 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. Pending such deadline, creditors and other interested parties may file an opposition to the agreement. At such hearing, the court decides upon any opposition and assesses whether the conditions for anticipating the moratorium are in place and, in such case, orders that no interim relief conservative 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 a debt restructuring agreement and the assessment by the expert must be deposited.

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. Creditors and other interested parties may oppose the agreement within 30 days from the publication of the agreement in the companies' register. After having settled the oppositions (if any) the court will validate the agreement by issuing a decree, which can 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 (*omologazione*) 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 and that all creditors (adhering and non-adhering) have been informed about the negotiations and have been allowed to take part in them in good faith. 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 (i) they have been informed of the ongoing negotiations and have been allowed to participate to such negotiations in good faith, and (ii)an independent expert meeting the requirements provided under Article 67, Paragraph 3(d) of the Italian Bankruptcy Law certifies that non-participating financial creditors have legal status and economic interests similar to those of the banks and financial intermediaries which have agreed to the moratorium arrangement. The purpose is to prevent banks with modest credits from block restructuring operations involving more exposed bank and 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 file an objection (*opposizione*) to it within 30 days of receipt of the application.

In no case the debt restructuring agreement provided for under article 182-septies of the Italian Bankruptcy Law or the moratorium arrangement may impose on the non-adhering creditors, *inter alia*, performance of new obligations, the granting of new overdraft facilities, the maintenance of the possibility to utilize the existing facilities or the utilization of new facilities.

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.

Pursuant to Article 182-*quater* of the Italian Bankruptcy Law, financings granted to the debtor pursuant to the approved debt restructuring agreement (or a court-supervised Pre-Bankruptcy Composition with Creditors) enjoy priority status in cases of subsequent bankruptcy (such status also applies to financing granted by shareholders, but only up to 80 percent of such financing). Financings 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 of approval of the plan or sanctioning (*omologazione*) of the debt restructuring agreement or the approval of the *concordato preventivo*. The same provisions apply to financings granted by shareholders up to 80% of their amount.

Moreover, pursuant to the new Article 182-*quinquies* of the Italian Bankruptcy Law, the Court, 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 a petition pursuant to Article 161, Paragraph 6, of the Italian Bankruptcy Law (in relation to the court supervised pre-bankruptcy composition with creditors procedure described below) may authorize the debtor, if so expressly requested: (i) to incur in new super senior (*prededucibile*) indebtedness and to secure such indebtedness with 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*), declares that the new financing aims at providing a better satisfaction of the rights of the creditors, and (ii) to pay pre-existing debts deriving from the supply of services or goods, to the extent already payable and due, provided that the expert declares that such payment is essential for the keeping of the company's activities and to ensure the best satisfaction for all creditors. In addition, according to the provisions of the Decree 83/2015, as amended by Law 132/2015, the aforementioned authorization may be given also before the filing of the additional documentation required pursuant to Article 161, Paragraph 6 of the Italian Bankruptcy Law.

The provision of Article 182-*quinques* 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 the Article 1 of the Decree 83/2015, as amended by Law 132/2015, 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 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 *prededucibile*) indebtedness, aimed at supporting urgent financial needs related to the company's business. The company, 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 company.

Court supervised pre-bankruptcy 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) and that has not been declared insolvent by the court 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, among others, 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 actions, precautionary measures 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. Preexisting 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 will 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 Italian Law Decree No. 69/2013 as converted into Italian 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 (*giustificati motivi*). Nevertheless, in response to the COVID-19 pandemic, Article 9 of the Liquidity Decree, provides that the debtor company which has been granted such extension by the Court, can, before the deadline, request for a further extension up to 90 days, even if it has been filed an appeal for a declaration of bankruptcy. The petition provides for the elements that make it necessary to grant the extension with specific reference to the events that have occurred as a result of the COVID-19 pandemic. The Court, acquired the opinion of the judicial commissioner (if appointed), grants the extension when it considers that the application is based on reasonable grounds. 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 abovementioned period. The statutory provisions providing for the stay of enforcement and interim relief actions by the creditors referred to in respect of the *concordato preventivo* also apply to preliminary petitions for *concordato preventivo* (so called *concordato in bianco*).

The debtor company 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 will file, on a monthly basis, the company's financial position, which is published, the following day, in the company's register.

Noncompliance 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 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 *prededucibili*) 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. Italian 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 will 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, among others, 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 corporate bodies (usually its board of directors), but is supervised by the appointed judicial officers and judge (who will authorize all transactions that exceed the ordinary course of business). The debtor is allowed to carry out urgent extraordinary transactions only upon the prior court's authorization, while ordinary transactions may be carried out without authorization. Third-party claims, related to the interim acts legally carried out by the debtor, are super-senior (so called *prededucibili*) pursuant to Article 111 of the Italian Bankruptcy Law.

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 Composition with Creditors 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 email) 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. In relation to voting by the holder of the Notes in the *concordato* proceedings, the interactions between (i) the provisions set forth under the Indenture with respect to meetings of holders of the Notes, the applicable majorities and the rights of each holder of the Notes to vote in the relevant meeting and (ii) applicable Italian law provisions relating to quorum and majorities in meetings of holders of notes issued by Italian companies are largely untested in the Italian courts (recent case law has however affirmed the right of noteholders whose vote may be tainted by conflict of interest—as could be the case of disenfranchised noteholders – to be computed for the purposes of relevant *quora* and be admitted to vote, albeit in a specific class). 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 creditors 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 do 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*).

In addition, in order to strengthen the position of the unsecured creditors, Law 132/2015 sets forth that a pre-bankruptcy agreement proposal with liquidation purpose (*concordato liquidatorio*) (i.e., a pre-bankruptcy agreement proposal aiming at transferring all the assets to the creditors and having such assets sold in their interest by the judicial commissioner) must ensure that the unsecured creditors are paid in a percentage of at least 20% of their claims.

This provision does not apply to 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 judicial commissioner may request to the court the opening a competitive bidding process to the extent that it would be in the best interest of the creditors. After the approval by the creditors' meeting, the court (having settled possible objections raised by the dissenting creditors, if any) confirms the *concordato preventivo* proposal by issuing a confirmation order.

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 pre-bankruptcy composition.

In response to the COVID-19 pandemic, according to Article 9 of the Liquidity Decree, the deadlines for the fulfilment of *concordati preventivi* and the ratified debt restructuring agreements (*accordi di ristrutturazione omologati*) expiring after February 23, 2020 shall be extended by six months. In the procedures for the validation (*omologazione*) of *concordato preventivo* and of a debt restructuring agreement with creditors (*accordo di ristrutturazione dei debiti*), pending on February 23, 2020, the debtor may submit, until the hearing, a petition for the grant of an extension up to 90 days for the deposit of a new plan and a new proposal for a *concordato* in accordance with Article 161 of the Italian Bankruptcy Law or a new debt restructuring agreement pursuant to Article 182-*bis* of the Italian Bankruptcy Law. The period starts from the date of the decree by which the court assigns the term, and it shall not be extended. The request is inadmissible if submitted in the context of a *concordato preventivo* in the course of which it has already been held the meeting of creditors but the majorities were not reached according to Article 177 of the Italian Bankruptcy Law.

Bankruptcy proceedings (fallimento)

A request to declare a debtor bankrupt and to commence bankruptcy proceedings (*fallimento*) for the judicial liquidation of its assets can be filed by the debtor, any of its creditors and, in certain cases, the public prosecutor when a debtor is insolvent. Insolvency, as defined under Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations with ordinary means as they come due. 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 company (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, amongst other things:

- subject to certain exceptions, all actions of creditors, actions are stayed and creditors must file claims within a defined period;
- under certain circumstances secured creditors may execute against the secured property as soon as their claims are admitted as preferred claims. Secured claims are paid out of the

proceeds of liquidation of the secured assets, together with the applicable interest and subject to any relevant expenses. In case the sale price is not high enough to determine a full satisfaction of their credits, any outstanding balance will be considered unsecured and rank *pari passu* with all of the bankrupt's other unsecured debt. Secured creditors may sell the secured asset only with the court authorization. After hearing the bankruptcy receiver (*curatore fallimentare*) and the creditors' committee, the court decides whether to authorize the sale, and sets forth the relevant timing in his or her decision;

- the administration of the debtor and the management of its assets are transferred to the bankruptcy receiver (*curatore fallimentare*);
- 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;
- any act (including payments, pledges, and issuance of guarantees) made by the debtor after (and in certain cases even before for a limited period of time) the commencement of the proceedings, other than those made through the receiver, become ineffective against creditors; and
- 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 terminate contracts where some or all of the obligations have not been performed, certain contracts are subject to specific rules expressly provided for by Italian Bankruptcy Law.

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 the creditors, and is responsible for the liquidation of the assets of the debtor to the satisfaction of creditors. The proceeds from the liquidation are distributed in accordance with statutory priority. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real property. 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. Italian Bankruptcy Law provides for priority of payment to certain preferential creditors, including employees, the Italian treasury, and judicial and social authorities. Such priority of payment is provided under mandatory provisions of law (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 law). Unsecured creditors are satisfied after payment of preferential and secured creditors, out of available funds and assets (if any) as below indicated.

- **Bankruptcy composition with creditors (*concordato fallimentare*)**. Bankruptcy proceedings can terminate prior to liquidation through a bankruptcy composition proposal with creditors. The relevant petition can be filed by one or more creditors, third parties or the receiver starting from the declaration of bankruptcy, whereas the debtor or its subsidiaries are admitted to file such a proposal only after one year following such declaration but before the lapse of two years from 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 petition may provide for the division of creditors into classes (thereby proposing different treatments among the classes), the restructuring of debts and the satisfaction of creditors' claims in any manner. The petition may provide that secured claims are paid only in part. 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, by a majority (by value) of the claims in a majority of the classes). Final court confirmation is also required.

- **Statutory priorities**. The statutory priority assigned to creditors under the Italian Bankruptcy Law may be different from the priorities in the United States, the United Kingdom and certain other EU jurisdictions. Article 111 of the Italian Bankruptcy Law establishes that proceeds of liquidation shall be allocated according to the following order: (i) for payments of "*predeductible*" 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) the claims of the Italian tax authorities and social security administrators, and claims for employee wages. The remaining priorities of claims are, in order of priority, those related to secured creditors (*creditori privilegiati*; a preference in payment in most circumstances, but not exclusively, provided for by law), mortgages (*creditori ipotecari*), pledges (*creditori prignoratizi*) and, lastly, unsecured creditors (*crediti chirografari*). Under Italian law, the proceeds from the sale of the bankrupt's estate are distributed according to legal rules of priority. Neither the debtor nor the court can deviate from these priority rules by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles. The law creates a hierarchy of claims that must be adhered to when distributing the proceeds derived from the sale of the entire bankrupt's estate or part thereof, or from a single asset. In particular, article 111 of the Italian Bankruptcy Law establishes that proceeds of liquidation shall be allocated according to the following order: (i) for payments of "*predeductible*" 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.

- **Avoidance powers in insolvency**. Similar to other jurisdictions, there are so-called "claw-back" or avoidance provisions under Italian law that may give rise, *inter alia*, to the revocation of payments or to the granting of security interests made by the debtor prior to the declaration of bankruptcy. The key avoidance provisions address transactions made below market value, preferential transactions and transactions made with a view to defraud creditors. Claw-back 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, the Italian Bankruptcy Law provides for a claw-back period of up to one year (six months in certain circumstances) and a two-year ineffectiveness period for certain other transactions. In the context of extraordinary administration procedures (as described below), the claw-back period may last up to three or five years in certain circumstances. The Italian Bankruptcy Law distinguishes between acts or transactions which are ineffective by operation of law and acts or transactions which are voidable at the request of the bankruptcy receiver/court commissioner, as detailed below.

- **Acts ineffective by operation of law**. Under (i) Article 64 of the Italian Bankruptcy Law, subject to certain limited exception, all transactions entered into for no consideration are ineffective *vis-à-vis* creditors if entered into by the bankrupt entity 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 need to wait the ineffectiveness of the transaction is sanctioned by a court. Any interested person may challenge the registration before the delegated judge for violation of law; and (ii) Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are deemed ineffective *vis-à-vis* creditors, if made by the bankrupt entity within the two-year period prior to the insolvency declaration.

- **Acts that may be avoided at the request of the bankruptcy receiver / court commissioner**.

  (a) 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 non-insolvent party proves that it had no actual or constructive knowledge of the debtor's insolvency at the time the transaction was entered into:

  i. onerous transactions entered into in the year before the insolvency declaration, when the value of the debt or the obligations undertaken by the bankrupt entity exceeds 25% of the value of the consideration received by and/or promised to the debtor;

  ii. payments of debts, due and payable, which were not made by the debtor in cash or by other customary means of payment in the year prior to the insolvency declaration;

  iii. pledges and mortgages granted by the bankrupt entity in the year prior to the insolvency declaration in order to secure pre-existing debts which not yet due at the time the new security was granted; and

  iv. pledges and mortgages granted by the bankrupt entity in the six months prior to the insolvency declaration in order to secure pre-existing debts which had already fallen due at the time the new security was granted.

  (b) The following acts and transactions, if made during the vulnerability period or such other period specified below, may be avoided and declared ineffective if the bankruptcy receiver proves that the non-insolvent party knew that the bankrupt entity was insolvent at the time of the act or transaction:

  (i) payments of debts that are immediately due and payable and any onerous transactions entered into or made within six months prior to the insolvency declaration; and

  (ii) granting of security interest for debts incurred in the six months prior to the insolvency declaration.

  (c) The following transactions are exempt from claw-back actions:

  (i) payments for goods or services made in the ordinary course of business according to market practice;

  (ii) a remittance on a bank account; provided that it does not materially and permanently reduce the bankrupt entity's debt towards the bank;

  (iii) the 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 non-residential property that is intended as the main seat of the enterprise of the purchaser; provided that, as at the date of the insolvency declaration, the activity is actually exercised therein or the investments for the commencement of such activity have been carried out therein;

  (iv) transactions entered into, payments made and guarantees and security interests granted by the debtor pursuant to a plan (*piano attestato*) under Article 67 of the Italian Bankruptcy Law;

  (v) a transaction entered into, payment made or guarantee and security interests granted in the context of "*concordato preventivo*" under Article 161 of the Italian Bankruptcy Law or an "*accordo di ristrutturazione del debito*" under Article 182-*bis* of the Italian Bankruptcy Law;

(vi) remuneration payments to the bankrupt entity's employees and consultants concerning work carried out by them; and

(vii) payments 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 ineffective within the ordinary claw-back period of five years (*revocatoria ordinaria*) provided for by the Italian Civil Code. Under Article 2901 of the Italian Civil Code, a creditor may demand that transactions whereby the bankrupt entity disposed of its assets prejudicially to such creditor's rights be declared ineffective with respect to such creditor, provided that the bankrupt entity was aware of such prejudice (or, if the transaction was entered into prior to the date on which the claim was originated, that such transaction was fraudulently entered into by the bankruptcy entity for the purpose of prejudicing the bankrupt entity) and that, in the case of a transaction entered into for consideration with a third person, the third person was aware of such prejudice (and, if the transaction was entered into prior to the date on which the claim was originated, such third person participated in the fraudulent design). The 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" clawback 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* or "family trust"). In case of gratuitous transfers, the enforcement action can also be carried out by the creditor against the third party purchaser.

Finally, as noted above, the 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.

Extraordinary administration for large insolvent companies (amministrazione straordinaria delle grandi imprese in stato di insolvenza).

The extraordinary administration procedure is available under Italian law for large industrial and commercial enterprises; this procedure is commonly referred to as the "*Prodi-bis procedure*". To be eligible, companies must be insolvent although able to demonstrate serious recovery prospects, have employed at least 200 employees in the year preceding the commencement of the procedure, and have debts equal to at least two-thirds of its assets as shown in its financial statements and two-thirds of its income deriving from sales and services during its last financial year. The procedure may be commenced by petition of the creditors, the debtor, a court or the public prosecutor. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to an extraordinary administration proceeding. Preferential payment is granted to those credits (even unsecured) accrued to allow the conduct of the company's business activity. Extraordinary administration procedures involve two main phases—a judicial phase and an administrative 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 (*commissario giudiziale*) to investigate whether there are serious prospects for recovery via a business sale or reorganization. The judicial receiver submits a report to the court (within 30 days), and, within 10 days from such filing, the Italian Ministry of Economic Development (the "**Ministry**") shall file an opinion on the admission of the company to the extraordinary administration procedure. The court has 30 days to decide whether to admit the company to the procedure or place it into bankruptcy.

If the company is admitted to the extraordinary administration procedure, the administrative phase begins and the extraordinary commissioner(s) appointed by the Ministry prepare a restructuring plan. The plan can provide either for 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**"). It may also include a composition with creditors (*concordato*). The plan must be approved by the Ministry within 30 days from submission by the extraordinary commissioner(s). 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; however, should either plan fail, the company will be declared bankrupt.

Industrial restructuring of large insolvent companies (ristrutturazione industriale di grandi imprese in stato di insolvenza)

Introduced in 2003 pursuant to Italian Law Decree No. 347 of December 23, 2003, as converted into Italian Law No. 39 of 2004 and subsequently amended, this procedure 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 work faster than the *Prodi-bis* procedure. For example, although a company must be insolvent, the application to the Ministry can be made before the court commences the administrative phase.

The Marzano procedure only applies to large insolvent companies which, on a consolidated basis, have at least 500 employees in the year before the procedure is commenced and at least €300 million of debt (including those from outstanding guarantees). The decision 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 Plan 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 public interest entities such as state-controlled companies, insurance companies, credit institutions and other financial institutions, none of which can be wound up pursuant to bankruptcy proceedings. It is irrelevant whether these companies belong to the public or the private sector. A compulsory administrative winding-up is special insolvency proceedings in that 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 by 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 of the forced administrative winding-up on creditors 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 a compulsory administrative winding-up.

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, among others, 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.

Hardening period/clawback and fraudulent transfer

In a bankruptcy proceeding, the Italian Bankruptcy Law provides for a claw-back period of up to one year (six-months in certain circumstances). In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the debtor are declared ineffective within the Italian Civil Code ordinary claw-back period of five years (*revocatoria ordinaria*).

Under Italian law, in the event that the relevant guarantor and/or security provider enters into insolvency proceedings, the security interests created under the documents entered into to secure the Collateral and any future security interests or guarantees could be subject to potential challenges by an insolvency administrator or by other creditors of such guarantor and/or security provider under the rules of avoidance or claw-back of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or claw-back of transactions by the debtor made 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 new security granted with respect to pre-existing debts not yet due at the time the security is entered into after the creation of the secured obligations, unless the non-insolvent creditor proves that it had no knowledge of the debtor's insolvency at the time the transaction was entered into, (ii) security granted within six months prior to the declaration of insolvency with respect to pre-existing debts due and payable, unless the non-insolvent creditor proves that it had no knowledge of the debtor's insolvency at the time the transaction was entered into, and (iii) 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, if the bankruptcy receiver proves that the creditor was aware of the insolvency of the debtor. The transactions potentially subject to avoidance also include those contemplated by a Guarantor's Notes Guarantee or the granting of security interests under the Security Documents by a guarantor and/or security provider. If they are challenged successfully, the rights granted under the guarantees or in connection with security interests under the relevant Security Documents 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, 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.

It should be noted that: (i) under Article 64 of the Italian Bankruptcy Law, subject to certain limited exceptions, all transactions carried out by the insolvent debtor 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, and (ii) 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, as noted above, the 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.

Denmark

Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral

The Danish Companies Act (*selskabsloven*) contains restrictions on upstream guarantees and security by Danish limited companies. Generally, Danish companies and their Danish and foreign subsidiaries are prohibited from granting loans to or issuing guarantees or providing security in respect of obligations of, among others, their direct and indirect parent companies. However, Danish companies may grant loans to or issue guarantees or provide security in respect of obligations of parent companies covered by Danish Executive Order No. 85 of January 30, 2020 (on loans etc. to foreign parent companies) which includes any entity in the corporate form of (i) a public limited company (*aktieselskab*), (ii) a limited partnership company *(partnerselskab*), (iii) a private limited liability company (*anpartsselskab*) or (iv) a company with an equivalent corporate form, incorporated in a jurisdiction which is a member of the EU or European Economic Area or Switzerland, Australia, Canada, Chile, United Kingdom of Great Britain and Northern Ireland, Israel, Japan, South Korea, New Zealand, Singapore, Taiwan or the U.S.

In addition, a Danish company is generally prohibited from granting loans, issuing guarantees or providing security in connection with the financing or refinancing of the acquisition by any person or entity of shares in such Danish company or shares in its direct and indirect parent companies, and any such loan, guarantee or security will be invalid and unenforceable.

To the extent that any such debt constituting unlawful financial assistance cannot be separated from other debt, such other debt may be deemed unlawful financial assistance debt and any loans, guarantees or security granted by Danish companies for such other debt may then also be invalid or unenforceable. According to the Danish Business Authority, the prohibition on financial assistance also extends to non-Danish subsidiaries of Danish companies. If loans, guarantees or security are granted in violation of the prohibitions above, such loans, guarantees or security will be invalid and unenforceable and must be repaid with statutory interests. The directors may be subject to liability for losses suffered in this regard.

Further, it is a requirement under Danish law that a guarantor or security provider obtains an adequate corporate benefit from the issuance of a guarantee or granting of security. The management of the company is obliged to act in accordance with the company's individual interests, including, among other things, consideration of the company's financial position, the benefits the company will obtain through and the risks related to the granting of guarantees and security, assessment of the debtor and ensuring that the arrangement is on market terms. If such benefit is not obtained, the directors of a Danish guarantor or security provider may be subject to civil liability and the guarantee or security may be deemed invalid. It is not clear under Danish case law under which circumstances corporate benefit accrues to a subsidiary when such subsidiary guarantees and secures debt of a direct or indirect parent company or other group company. Accordingly, any guarantee or security provided by the Danish companies in connection with the Notes will be limited (i) if and to the extent required to comply with Danish statutory provisions on unlawful financial assistance and non-permitted shareholder loans, including, without limitation, Sections 206 through 212 of the Danish Companies Act and (ii) to a maximum amount equivalent to the higher of the equity (*egenkapital*) of such Danish company (calculated in accordance with the approved accounting principles) (a) at the time of the granting of the guarantee or (b) at the time payment is requested pursuant to the guarantee. Hence, the Notes will not have the benefit of guarantees from and security granted by a Danish Guarantor or security provider to the extent the proceeds of the Notes are deemed used towards financing of the (direct or indirect) acquisition of such Danish Guarantor or security provider.

Claims may become barred under Danish statutes of limitation or principles of passivity or may become subject to set-off or counterclaim.

The Notes and the Security Agent will be registered with the Danish Financial Supervisory Authority (*Finanstilsynet*) pursuant to Chapter 4 of the Danish Capital Markets Act, which will allow the Security Agent to represent the holders of the Notes from time to time in connection with any enforcement steps and legal proceedings in Denmark.

Certain Danish insolvency law considerations

One of the Guarantors and one of the security providers are companies incorporated under the laws of Denmark. Any insolvency proceedings with respect to a Danish Guarantor or Danish security provider would be based on Danish insolvency laws. Please note that the Insolvency Regulation does not apply to Denmark.

Danish insolvency laws may not be as favorable to investors' interests as the laws of the United States or other jurisdictions with which the investors are familiar. In the event that a Danish Guarantor or Danish security provider experiences financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings. In a Danish bankruptcy, the debtor's assets are liquidated and the proceeds are distributed to the creditors on a priority of claims. Such liquidation may not yield the same value to the creditors as a reorganization and sale of going concern.

Insolvency Proceedings

Bankruptcy proceedings may be commenced either at the petition of a debtor or a creditor, however provided that the debtor is insolvent, which pursuant to the Danish Bankruptcy Act is defined as the debtor's inability to pay his debts as they fall due, unless such inability is considered to be temporary.

The petition for bankruptcy must be filed with the bankruptcy court in the district in which the debtor operates his business. The bankruptcy court does not publish information on the receipt of the petition for bankruptcy, but any person having a legal interest is entitled to receive information as to whether and when a debtor has filed a petition for bankruptcy (debtor's own petition). The bankruptcy court does not provide information on a creditor's petition for bankruptcy.

A creditor cannot demand that the debtor be declared bankrupt if the creditor's claim is secured by adequate security. In this context, adequate security means a security right expected to provide full coverage for the creditor. If the security is avoidable in bankruptcy or the act of perfection has not been performed, the creditor does not have adequate security.

The creditor is not required to have a basis of execution for his claim, e.g. a judgment in a civil case, a settlement in court or a signed debt instrument or mortgage. Further, the creditor's claim does not have to be due for payment to form basis of a petition for bankruptcy. However, the creditor must have a legal interest in the debtor's estate being administered in bankruptcy. As a result, not all claims that have not become due for payment may form basis of a petition for bankruptcy. Depending on the circumstances, an overdraft facility still being in force or a repayment arrangement being observed by the debtor may result in the creditor's petition being rejected. The requirement for legal interest also means that in general the bankruptcy court will reject a creditor's petition for bankruptcy if it is clear in advance that he will not receive any dividend in case of bankruptcy. It should be noted, however, that if there is probable cause to believe that the debtor has made avoidable transactions, the creditor may have the required legal interest in the bankruptcy even if the debtor does not have substantial assets. In that case, the creditor must be able to substantiate the avoidable transactions with some degree of certainty.

A creditor having filed a petition for bankruptcy against a debtor will be liable to pay damages if the debtor suffers a loss or to pay compensation for injury to the debtor's reputation if the bankruptcy conditions, e.g. the insolvency requirement, are not fulfilled or if the claim does not exist.

The petitioner must provide security for the expenses relating to the administration of the estate. In practice, the bankruptcy court demands security in the amount of DKK 30,000. If the debtor has filed the petition for bankruptcy, the security must be provided by the funds of the bankruptcy estate.

Bankruptcy Trustee

One or more trustees are appointed at the discretion of the bankruptcy court; however, in practice the request of the major unsecured and unsubordinated creditors have the decisive influence as another liquidator can be appointed at a creditor's meeting.

The trustee is not required to be an attorney, but in practice that is normally the case.

The trustee must comply with the disqualification rules of the Danish Bankruptcy Act. Consequently, the trustee must not be the debtor's related party or depending on the debtor, and there must not be any doubt as to whether the trustee is impartial. As a general rule, the debtor's own attorney is prevented from being appointed as trustee due to the disqualification rules. The bankruptcy court may also find that a person being a member of the board of directors of the debtor's business or a person being the debtor's advisor cannot be appointed as trustee.

The trustee will make all decisions concerning the administration of the bankruptcy estate and he represents the estate in every respect.

Reconstruction

Reconstruction proceedings may be commenced either at the petition of the debtor or a creditor. The petition for reconstruction must be filed with the bankruptcy court in the district in which the debtor operates his business.

Reconstruction proceedings may only be commenced if the debtor is insolvent (same as described above with respect to bankruptcy). If this criterion is fulfilled, the bankruptcy court will immediately appoint a reconstructor to administrate the company. A reconstructuring accountant is appointed if requested by the company, the reconstructor or at least 25% of the creditors. The management continues to operate the company, but any material transactions may not be carried out without the prior approval of the reconstructor. Payment of creditors may only be done in accordance with the priority of claims as described below.

The reconstruction of a company must achieve the following statutory objectives: (1) the rescue of the company as a going concern by means of a compulsory composition; (2) the termination of the business of the company by transferring the business; or (3) a combination of a compulsory composition and a transfer of business.

The reconstructor must try to achieve these objectives in no particular order. Within the four or eight weeks (until a restructuring plan is adopted), the company can discontinue the restructuring without automatically entering into insolvency proceedings. If the reconstructor does not realize the statutory objectives after a restructuring plan is adopted, the company will automatically enter bankruptcy proceedings as described above, unless it turns out that the company is not (or no longer is) insolvent.

Liquidation

Liquidation is a company dissolution procedure under which the assets of the company are realized and distributed by the liquidator to creditors and, providing all creditors have been paid in full, the shareholders. In Denmark, liquidation is not an insolvency proceeding, and only companies that are solvent can be liquidated. If a company is insolvent, or if it turns out during the liquidation process that the company cannot pay all its creditors in full, the company must enter bankruptcy proceedings instead. The decision to liquidate a company is made by the shareholders of the company at a general meeting who also appoint a liquidator. At the end of the liquidation process the company will be dissolved.

Foreign Currency

Under the Danish Bankruptcy Act, claims must be converted into DKK at the exchange rate at the day the bankruptcy court issued a bankruptcy order over the company.

Challenges to the Guarantees and the Collateral

<u>Certain Avoidance Rules</u>

Under the Danish Bankruptcy Act, the bankruptcy estate is entitled to under certain circumstances to avoid the debtor's transactions in the period preceding the bankruptcy if such transactions have reduced the assets of the estate or otherwise damaged the estate, or if the transactions have favored certain creditors without observing the ranking of the creditors.

Transactions damaging the estate are for example gifts, renunciations of inheritance or the payment of excessive salary or pension to related parties. Transactions favoring creditors without observing the ranking of creditors are for example payment by unusual means of payment, payments before due date, payments having deteriorated the debtor's ability to pay decisively or the provision of security for prior debts. Set out herein is the avoidance rule on security for prior debts and the general avoidance rule applicable to various transactions.

Any security interest which has not been created prior to, or simultaneously with, the debt obligations which it secures or which is not perfected without undue delay after the creation of such debt obligations will be subject to a three months hardening period, if insolvency proceedings are commenced against the provider of the security during the three month period starting from the latter of the date of the relevant act of perfection and the creation of the security interest.

Danish law operates with a general avoidance rule, which stipulates that a disposition which unduly favors a creditor to the detriment of the other creditors, or whereby the company's property is prevented from serving the purpose of satisfying the creditors, or whereby the company's debt is increased to the detriment of the creditors, may be declared void if the company was or because of the disposition became insolvent, and the favored party knew or ought to have known about the company's insolvency and the circumstances that made the disposition improper. Generally, only transactions which are contrary to common norms of correct and decent business behavior will be deemed improper. Improper behavior is normally related to a breach of the purpose of insolvency proceedings, which typically is the situation where a creditor should have realized that a given transaction would deprive the other creditors of their right to fulfilment of their claims.

The usual hardening period is three months prior to the filing date, which is extended to up to 24 months for transactions with parties closely related to the company, and the general avoidance rule (as described above) provides for an unlimited avoidance period with respect to improper transactions.

<u>Legal Position of Unsecured Claims and Priority of Claims</u>

Creditors who believe they have a claim against the debtor or the bankruptcy estate must prove their claims and accompany their proofs of claim by adequate documentation. The trustee registers all claims and examines whether they are legitimate and entitle the creditor to receive dividend.

The ranking of creditors is described in the Danish Bankruptcy Act and it indicates the order in which claims against the estate of the debtor are settled. All higher ranking claims must be satisfied in full before the next level will be entitled to dividend. The ranking of creditors is as follows:

- *Firstly*: claims in connection with the bankruptcy proceedings or claims in according to affirmed agreements;
- *Secondly*: claims in connection with any prior restructuring proceedings;
- *Thirdly*: claims for wages or salaries payable;
- *Fourthly*: claims of suppliers for indirect taxes;
- *Fifthly*: unsecured claims (all other claims except for deferred claims); and
- *Sixthly*: deferred claims (interest, fines, promises of gifts and subordinated loan capital).

Spain

Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral

In general terms, under Spanish law, any guarantee or security interest must guarantee or secure a primary obligation to which it is ancillary. The primary obligation must be clearly identified in the guarantee or security agreement, and the nullity or termination of the primary obligation entails the nullity or termination of the ancillary guarantee or security interest. Consequently, if the primary obligation terminated, the ancillary guarantee or security interest will also be deemed null and void. In the event that the guarantor or security provider is able to prove that there are no existing and valid guaranteed or secured obligations, Spanish courts may consider that the guarantor or security provider's obligations under the relevant guarantee or security agreement are not enforceable. In addition, a guarantee or security interest may not be enforced in Spain without having validly accelerated (totally or partially, as applicable) the underlying agreements governing the guaranteed or secured obligations, and may be affected by any amendment, supplement, waiver, repayment, novation or extinction of the secured obligations.

A Spanish court may not accept acceleration (*vencimiento anticipado*) of an agreement if the default were of minimal importance. To be recognized by the Spanish courts as giving rise to the remedy of acceleration, a default must be considered material. The decision to accelerate an agreement must be based on objective facts and cannot be left to the sole discretion of one party as this would not be permitted by article 1,256 of the Spanish Civil Code.

Moreover, Spanish law may limit the ability of a Spanish Guarantor to guarantee the Notes or to grant security interests over its assets to secure the Notes. Recent Spanish rulings which do not constitute settled case law indicate, and certain scholars understand, that risk associated with a guarantee or the value of a security interest provided by a Spanish company to guarantee or secure indebtedness held by other companies within its corporate group must be reasonable and economically and operationally justified from the Spanish company's perspective and justified under the corporate interest of such company. Notwithstanding the foregoing, there are rulings from the Spanish Supreme Court recognizing the validity of upstream guarantees subject to certain requirements.

Furthermore, the obligations of the Spanish Guarantor under its Notes Guarantee or under any security instrument granted by it cannot extend to any obligation which, if incurred, would constitute a breach of the Spanish financial assistance rules. Pursuant to these rules, the obligations of the Spanish Guarantor under the Notes Guarantee or any security granted or executed by such Spanish Guarantor:

(a) shall not extend to any use of the proceeds of the Notes for the purpose of acquiring shares (*acciones*) representing the share capital of such Spanish Guarantor or shares (*acciones*) or quota shares (*participaciones sociales*) representing the share capital of its direct or indirect parent company (*sociedad dominante*), or refinancing a previous debt incurred for the acquisition of shares (*acciones*) representing the share capital of such Spanish Guarantor or shares (*acciones*) or quota shares (*participaciones sociales*) representing the share capital of its direct or indirect parent company (*sociedad dominante*); and

(b) shall be deemed not to be undertaken or incurred by the Spanish Guarantor to the extent that the same would constitute unlawful financial assistance within the meaning of Article 150 and Article 143 of the Spanish Companies Act, as defined below, and, in that case, all provisions of such Notes Guarantee or security shall be construed accordingly in the sense that in no case can any Notes Guarantee or security given by the Spanish Guarantor provides any such unlawful financial assistance.

Spanish law prohibits financial assistance: (i) for public limited liability companies (*sociedades anónimas* (*S.A.*)) in relation to the acquisition of their own shares (*acciones*) or the shares (*acciones*) or quota shares *(participaiones sociales*) of any direct or indirect parent company (*sociedad dominante*), and (ii) for private limited liability companies (*sociedades de responsabilidad limitada* (*S.L.*)), in relation to the acquisition of their own shares (*participaciones socieales*) and the shares (*acciones)* or quota shares (*participaciones sociales)* of any member of their corporate group. Therefore, Spanish law governed guarantees or security interests granted or assumed by subsidiaries incorporated under the laws of Spain shall not extend to any payment obligation incurred by the Issuer for the *purpose* of acquiring the shares of such Spanish subsidiary or the shares (*acciones)* or quota shares (*pariticipaciones sociales*) of its direct or indirect parent company or, as applicable, any member of their group, to the extent that such security interest would constitute unlawful financial assistance within the meaning of Article 150 and 143.2 of Spanish Legislative Decree 1/2010 dated July 2 approving the recast text of the Spanish Companies Act, as amended (*Real Decreto Legislativo 1/2010 de 2 de julio por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*) (the "**Spanish Companies Act**"). This limitation may also apply to the refinancing of acquisition debt. Accordingly, any guarantee or security interest granted by any Spanish subsidiary shall not apply to the extent the proceeds are used to repay existing indebtedness of the Issuer if such existing indebtedness was used for the purposes described above. No whitewash procedures are available. Accordingly, the guarantee granted by any Spanish company will be limited by the amount of the funds that are not used for unlawful financial assistance purposes.

For the purposes of the previous paragraph, a reference to a "parent company" of the Spanish guarantor shall mean the company (if any) which, directly or indirectly, owns the majority of the voting rights of such Spanish guarantor or that may have a dominant influence on such Spanish guarantor. It shall be presumed that a company has a dominant influence on another company when:

- any of the scenarios set out in Section 1 of Article 42 of the Spanish Commercial Code (*Código de Comercio*) are met; or
- when at least half plus one of the members of the managing body of the Spanish guarantor are also members of the managing body or top managers (*altos directivos*) of the dominant company or of another company controlled by such dominant company.

In addition, a reference to the "group" of each Spanish guarantor shall mean the group of companies that have in common the same parent company (as this term is described above).

In addition, Article 158 the Spanish Companies Act provides that the financial assistance restrictions referred to above in relation to transactions targeting shares of a Spanish parent company shall also be applicable to its non-Spanish subsidiaries carrying out such transactions.

In accordance with the above, the guarantees and security interests granted by Spanish companies belonging to the same group, shall not guarantee those obligations or liabilities which, if guaranteed, will constitute an infringement of Spanish financial assistance laws in accordance with Articles 143.2 and/or 150 of the Spanish Companies Act.

Further, the structure of first demand guarantees is not specifically regulated in the Spanish Civil Code but their validity and effectiveness have been reviewed in several judgments and defined by the Spanish Supreme Court (*Tribunal Supremo*) as autonomous, independent and abstract guarantees, detached from the underlying agreement whose obligations are being guaranteed. These judgments acknowledge the validity of provisions pursuant to which guarantors waive the ability to call on enforceability exceptions different to those arising from the guarantee. Notwithstanding the foregoing, certain case law has also admitted the possibility that, with certain limitations, the guarantor automatically raises the enforceability exception of fraud, bad faith or abuse of right (*abuso de derecho*) in the event that the beneficiary enforces the guarantee in a fraudulent manner or in bad faith. Certain case law has also admitted that the guarantor can stay enforcement by showing that there has been no event of default (the guarantor bearing the burden of proof), usually through a motion for declaratory relief filed by the guarantor.

Under Spanish law there are some provisions on capitalization which have to be taken into account when guarantees are enforced. For example, when the enforcement of the guarantee causes the amount of the relevant Spanish subsidiary net equity (*patrimonio neto*) to fall below half of its share capital, the Spanish subsidiary will need to be wound up (*disolverse*), unless its share capital is increased or decreased in the required amount to reestablish the balance between its net equity and its share capital, and *provided* that it is not required to declare its insolvency.

In addition, and whilst this remains a matter debated between Spanish scholars, it is possible that certain defenses available to the Spanish Guarantor relating to corporate benefit, fraudulent conveyance or transfer, voidable preference, capital preservation or thin capitalization may limit the amount guaranteed under the Notes Guarantee by reference to the net equity (*patrimonio neto*) and share capital of the Spanish Guarantor and the amount secured under the relevant security agreement by reference to the value of the collateral.

The law regulating the enforcement of pledges through auctions organized by notaries as described in the Notary Public Law of May 28, 1862 (*Ley del Notariado de 28 de mayo de 1862*) (the "**Notarial Law**") was significantly amended by Law 15/2015 of July 2, 2015 on Voluntary Jurisdiction (*Ley 15/2015, de 2 de julio, de la Jurisdicción Voluntaria*) ("**Law 15/2015**"). There is a high degree of uncertainty on this new legal framework given that some provisions of the Notarial Law seem to conflict with laws regarding the enforcement of pledges that were not expressly repealed by Law 15/2015. As a result, certain aspects of these types of auctions are open to interpretation. Amendments to the Notarial Law brought about by Law 15/2015 entered into force on October 15, 2015 and there are no leading precedents as of the date hereof that clarify how Law 15/2015 should be applied in practice. Consequently, the clauses in the pledge agreements governing auctions organized by notaries may not be enforceable in accordance with their own terms.

Under the Spanish Companies Act as amended (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley, de Sociedades de Capital*), Spanish companies (both public limited liability companies (*sociedades anónimas* (*S.A.*)) and private limited liability companies (*sociedades de responsabilidad limitada* (*S.L.*)) may issue and guarantee (or provide security for) numbered series of notes and other securities that recognize or create debt, with certain restrictions applicable to limited liability companies (*sociedades de responsabilidad limitada* (*S.L.*)). In particular, pursuant to Section 401 of the Spanish Companies Act, the Guarantee provided by Spanish Guarantors incorporated under the form of limited liability companies ("*sociedades de responsabilidad limitada*" or "*S.L.s*"), is subject to the following restrictions: (a) S.L.s can only issue notes up to an aggregate maximum amount of twice its own equity (*recursos propios*), unless the issue is secured by a mortgage, a pledge of securities, a public guarantee or a joint guarantee from a credit institution, (b) also, although there is no consistent opinion among scholars and practitioners yet nor case law exists, S.L.s may also only guarantee notes up to an aggregate maximum amount of twice its own equity (recursos propios), unless the issue is secured by a mortgage, a pledge of securities, a public guarantee or a joint guarantee from a credit institution, and (c) S.L.s are prohibited to issue or guarantee (or provide security for) notes convertible into quota shares (*participaciones sociales*).

Under Spanish law, claims may become time barred (5 years being the general term established for obligations *in personam* under Article 1,964 of the Spanish Civil Code (*Código Civil*)) or may be or become subject to the defense of set-off or counterclaim.

The terms "enforceable", "enforceability", "valid", "legal", "binding" and "effective" (or any combination thereof) mean that all of the obligations assumed by the relevant party under the relevant documents are of a type enforced by Spanish courts; the terms do not mean that these obligations will necessarily be enforced in all circumstances in accordance with their terms. Enforcement before the courts will in any event, among others, be subject to:

- the nature of the remedies available; and
- the availability of defenses such as (without limitation) setoff (unless validly waived), circumvention of law (*fraude de ley*), abuse in the exercise of rights (*abuso de derecho*), misrepresentation, force majeure, unforeseen circumstances, undue influence, duress, abatement and counterclaim.

According to Spanish law, the law governing in *rem* legal aspects of a pledge is the law applicable in the place of location of the pledged asset (*lex rei sitae*). When the pledged asset is a credit right—such as receivables or intercompany loans—the determination of the *lex rei sitae* is unclear given its lack of physical existence. In these cases, several theories have been construed amongst Spanish scholars so as to determine the *lex rei sitae* (such as domicile of debtor of the credit rights being pledged, domicile of pledgor, law governing the credit right being pledged, etc.). If a judge considered that any of the pledges created over credit rights under the Spanish security documents is governed by the Catalonian Civil Code, then this regulation would govern those pledges instead of the Spanish civil common law, which could determine the challenge of the validity of such pledges.

Trust, Trustee and Security Agent under Spanish law

Spanish law security interests must be granted in favor of each and every one of the Secured Parties under the relevant security document and each secured party must accept said security interest either entereing into the relevant security documents themselves or duly represented by a Security Agent with sufficient faculties to represent the secured creditors for such purposes.

Spanish law does not expressly recognize the concepts of "trust", "trustee" or "security agent" and there is some uncertainty as to whether a Spanish court would recognize the authority of a trustee or security agent (including the Security Agent), whether this would cause delays in the enforcement and the consequences of not being able to enforce the collateral as provided in the relevant security agreements. Although this by itself does not prohibit appointing the Security Agent and/or the applicable Trustee, the absence of regulation creates uncertainty as to how a Spanish court would recognize the Security Agent and/or the applicable Trustee's actions in an enforcement situation. If Spanish-law security documents are entered into only by the security agent and not also by the creditors on account of whom the security agent or trustee would be acting, it can be argued that the security agent would be the only party entitled to enforce the security interest in respect of those obligations, consequently, the security agent may only be able to enforce against the debt it individually holds, and not for the full amount owed to creditors for whom it is acting as security agent. This limitation may be overcome if such creditors grant due and express powers of attorney in favor of the security agent duly notarized and legalized (and, if applicable, duly apostilled in accordance with the Hague Convention of October 5, 1961) in order to represent them in the enforcement proceedings (nonetheless, this may not be effective in the case of judicial enforcement proceedings, where one party cannot represent another by virtue of a power of attorney).

The holders of the Notes, from time to time, shall be the beneficial holders of any Spanish law security interests. However, given that they will not be parties to the Spanish law security documents that will be executed by the Security Agent on their behalf, the holders of the Notes may not be entitled to take enforcement actions in respect of such security interests except through the Security Agent (even if they are the direct beneficiaries of the security interests).

Although it could be argued that Article 429 of the Spanish Companies Act (which allows the representative of the syndicate of the holders of the Notes (*comisario*) to enforce any security interest on behalf of all holders of the Notes under certain circumstances) could apply by analogy, it cannot be disregarded that, if enforcement of the security interest is carried out by the Security Agent, it may be necessary to prove that the Security Agent is duly and expressly empowered for such purpose by means of a power of attorney granted in favor of the Security Agent by each of the Secured Parties duly notarized and, if not granted in Spain, with the apostille of The Hague Convention dated October 5, 1961 or legalized.

In the absence of the above-mentioned power of attorney, the Security Agent and/or Trustee, acting as a security agent, may not be able to enforce the relevant Spanish security on behalf of all of the secured creditors (including the holders of the Notes). Furthermore, any beneficial holders of a security who have not accepted the security or duly empowered (by means of notarial and apostilled powers of attorney) a security agent to do so, may be treated as unsecured creditors under Spanish law, including, without limitation, in an insolvency scenario.

In addition, the relevant court or notary public before whom any Spanish security interest may eventually be enforced may request the notarization of the documents from which the relevant obligations arise and the notarization of each and every transfer certificate relating to each and every transfer of the Notes.

Likewise, validity and enforceability of security interests granted in favor of the secured parties through the Security Agent, in its capacity as joint and several creditor (*acreedor solidario*) of the secured parties, has not been tested before the Spanish courts. Moreover, the structure of joint and several creditor is not expressly contemplated under Spanish law in a situation in which the joint and several creditor does not hold a portion of the secured obligation itself. As a result, the ability of the Security Agent to represent the applicable Trustee and the holders of the Notes may be challenged.

Parallel Debt

The concept of "trust" and/or "parallel debt" (under, for example, the laws of the State of New York or English law) is not recognized under Spanish law and, therefore, guarantees/security interests require that the beneficiary of the guarantee/security interests and the creditor to be the same person. Such guarantee/security interests cannot be held by a third party which does not hold the guaranteed/secured claim but purports to hold guarantees/security interests for the parties that do. As mentioned above, if Spanish law security documents are entered into only by the Security Agent (and not by the creditors on account of whom it would be acting), the Security Agent will be the only party entitled to enforce the guarantees or the security interest in respect of those obligations and it may only be able to do so in respect of the debt it individually holds, and not for the full amount owed to creditors for whom it is acting as security agent unless such creditors grant the formal powers of attorney in its favor (duly notarized and legalized or, if applicable, duly apostilled in accordance with the Hague Convention of October 5, 1961) in order for the Security Agent to represent them in any enforcement proceedings related to Spanish law security documents.

Given that parallel debt structures have not yet been tested under Spanish law and we cannot assure you that by creating any such structure it will eliminate or mitigate the risk of unenforceability posed by such applicable law. If any challenge to the validity, perfection or enforceability of the security interests created by the securities were successful, the holders of the Notes may be unable to enforce the security.

Also, under Spanish law, in the event that the relevant obligor enters into insolvency proceedings, the securities or the parallel debt obligation could be subject to potential challenges by an insolvency administrator, the obligor itself or by other creditors of such obligor under the rules of avoidance or clawback of Spanish insolvency laws and the relevant law on the non-insolvency avoidance or clawback of transactions by the debtor.

Corporate benefit in cross-collateral security structures

A Spanish Guarantor will be creating the Spanish security as security of the Notes issued by a company of the group receiving the financing under the Notes, so it can be argued whether such Spanish Guarantor has obtained a corporate benefit for granting the relevant guarantee or collateral over its assets.

Unlike other jurisdictions, there is no concept of ''corporate benefit'' expressly regulated under the Spanish Companies Act or any other piece of legislation, however, Spanish lower courts, particularly Spanish commercial courts (*Juzgados de lo Mercantil*) ruling on insolvency matters, are declaring null or rescinding upstream guarantees by applying the rebuttable presumption of actions detrimental to the estate of an affiliate granting guarantees or security interests in favor of the liabilities incurred by a parent company and/or other companies of its group for the purposes of article 226 of the Spanish Recast Insolvency Law (i.e. rescission or claw-back of these actions during the two year hardening period prior to the date of declaration of insolvency, irrespective of the existence of fraudulent intent), when the obligations guaranteed or secured does not provide for a direct benefit to the Spanish company granting such guarantee or security interest.

Some decisions by the Spanish Supreme Court are ruling in favor of the validity and enforceability of such guarantees and security interests to the extent proof can be given that amounts can be borrowed directly by the company granting the guarantee or security interest or indirectly on-lent or otherwise made available to such company under a intercompany loan agreement, equity contribution or similar arrangement, also taking into account any indirect benefits deriving from the enhancement of the financial position of the group of companies to which such company belongs and the granting of parent guarantees, indemnities and comfort letters for which the relevant company obtains most favorable economic and financial conditions under its contractual relationships with suppliers and other counterparties, in accordance with Spanish case law existing as for the construction of the concept of ''compensatory advantage'' (*ventaja compensatoria*).

However, it cannot be conclusively ensured that further proof of the actual existence of benefits and compensatory advantages would need to be delivered to court, to the insolvency administrator and/or the insolvency court in the event of an insolvency scenario where the claims of the holders of the Notes, particularly as ''special privilege claims'' may be challenged if the insolvency administrator or other creditors may allege that such corporate benefit did not exist.

Financial collateral

There is no consolidated case law on the application and interpretation of RDL 5/2005 with regard to financial collateral and therefore it is not possible to predict the position a Spanish court would take or the potential implications on the security interests of the Spanish Guarantor declaring insolvency. In particular, as regards the scope *ratione materiae* of RDL 5/2005, the EU Court of Justice judgment dated November 10, 2016 (Case 156/15), upholds a broad interpretation of the terms "principal obligation" and "secured obligation" as used in Directive 2002/47, transposed into Spanish law under RDL 5/2005. Thus, the Court considers that these terms must be considered to cover any obligation granting a right to cash settlement. In Spain, to date, there has been no Supreme Court ruling in that regard. However, the Barcelona Court of Appeal ruled in the same terms in its judgment of September 30, 2008.

Certain Spanish Insolvency Law Considerations

The Spanish Royal Legislative Decree 1/2020 of May 5, 2020, approving the Spanish Recast Insolvency Act, as amended from time to time (*Real Decreto Legislativo 1/2020, de 5 de mayo, por el que se aprueba el texto refundido de la Ley Concursal*) (the "**Spanish Recast Insolvency Act**"), regulates pre-insolvency institutions and court insolvency proceedings. Prospective investors should note that preceding Law 22/2003 regarding insolvency proceedings suffered various reforms and amendments since it was first published in 2003. The Spanish Government has approved in 2020 the latest recasting, in force as from September 1, 2020, in order not only to incorporate all these amendments but also to clarify and harmonize certain questions raised by the courts and the doctrine since its first application by Spanish courts. However, it should be noted that certain matters are still be subject to different views and different interpretations by the relevant insolvency courts from time to time.

The entry into force of Directive 2019/1023 of the European Parliament and of the Council, of June 20, 2019, on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, implies that Spain will have two years as of such date for the transposition of such Directive into the Spanish regulations. This transposition process will probably lead to the approval of certain amendments to the Spanish Recast Insolvency Act. Notwithstanding the foregoing, the transposition process has not been initiated yet and, therefore, it is still uncertain how this Directive will affect the Spanish Recast Insolvency Act.

In addition, due to the health crisis generated by the COVID-19 pandemic, on March 14, 2020, the Spanish Government declared a State of Alarm (*Estado de Alarma*) in Spain from March 14 to June 21, 2020 and, since then, the Spanish Government has enacted certain Royal Decree Laws that temporarily amend certain provisions of the Spanish insolvency regime, as further described below. Moreover, future changes, amendments or restatements of the Spanish Recast Insolvency Act cannot be disregarded either.

The Spanish full-blown insolvency proceeding (bankruptcy), which is referred to as "*concurso de acreedores*", applies to all persons or entities (save for limited exceptions specifically contemplated in the Spanish Recast Insolvency Act). These proceedings may lead either to reorganization through the implementation of an agreement between the creditors and the debtor (the "**Company Voluntary Agreement**", "**CVA**" or the "**Composition Agreement**") or to the liquidation of the debtor's assets.

Insolvency Filing

A debtor (or, in the case of a company, its directors) is required to file the bankruptcy petition upon inability to regularly pay its liabilities as they become due (current insolvency or *insolvencia actual*). The debtor is also entitled (but not required) to apply for such insolvency proceedings when it foresees its inability to regularly pay liabilities as they become due (imminent insolvency or *insolvencia inminente*). Creditors also have standing to petition bankruptcy when the debtor is unable to regularly pay its debts as they come due.

Bankruptcy is considered voluntary (*concurso voluntario*) if filed by the debtor. If the debtor requests the bankruptcy, it must prove its current or imminent insolvency. The debtor must file a petition for bankruptcy within two months after it becomes aware, or should have become aware, of its state of insolvency (inability to regularly pay the debts as they come due). It is presumed that the debtor becomes aware of its insolvency, unless otherwise proven, if any of the circumstances that qualify as the basis for a petition for mandatory insolvency occur. Where the debtor fails to file a petition for bankruptcy within the time period established by law (two months), (i) the directors may be removed from office and substituted by a bankruptcy authority once the bankruptcy is declared and the bankruptcy process is initiated; (ii) the debtor may be unable to exercise certain courses of action (including, *inter alia*, the possibility of submitting a pre-arranged settlement proposal); and (iii) the directors may be held liable for the impaired claims accrued as from the consent of insolvency, should the debtor be liquidated and bankruptcy be classified as "guilty".

Bankruptcy is considered mandatory or involuntary (*concurso necesario*) if filed by a third party. Under article 2.4 of the Spanish Recast Insolvency Act, a creditor can seek a debtor's declaration of insolvency if it can prove that the debtor has failed to attach any assets, or sufficient assets, to pay the amount owed. A creditor may also apply for a debtor's insolvency if it can prove to the court: (i) there is a previous judicial or administrative declaration of insolvency of the debtor, provided that it is firm; (ii) there is a title for which a writ of execution or constraint has been issued without the seizure having resulted in known free assets sufficient for payment; (iii) a seizure of assets affecting or comprising the generality of the debtor's assets; (iv) a generalized default on payments by the debtor; (v) a generalized default on certain tax, social security and employment obligations during the applicable statutory period (*i.e.* three months) or (vi) a misplacement, "fire sale," hasty, loss-making or ruinous liquidation of the debtor's assets.

Please note that, as a consequence of the of the outbreak of the COVID-19 pandemic, the Spanish government has enacted the Royal Decree Law 34/2020 of November 17, 2020, and the Royal Decree Law 5/2021, of March 12, on extraordinary measures to support business solvency in response to the COVID-19 pandemic (*Real Decreto-ley 5/2021, de 12 de marzo, de medidas extraordinarias de apoyo a la solvencia empresarial en respuesta a la pandemia de la COVID-19*) which have stayed the obligation to file for insolvency, currently until December 31, 2021 (please note that despite their obligation having been stayed, the directors still have the right to file for insolvency upon current or imminent insolvency and they could be held responsible for worsening the insolvency situation during that period).

Pre-Insolvency Filing

Spanish law currently contains a restructuring moratorium proceeding, which is an insolvency proceeding under both Spanish and European regulation. It protects the debtor, for a four-month period, from petitions for involuntary cases.

The general duty to file for bankruptcy within the previously discussed two-month period does not apply if the debtor notifies the applicable Court that it has initiated negotiations with its creditors to obtain support to reach a pre-arranged composition agreement (*propuesta de convenio anticipado*) a collective out of court workout (a refinancing agreement or *acuerdo de refinanciación*) set out in articles 598 or 606 of the Spanish Recast Insolvency Law ; or an out of court repayment agreement (*acuerdo extrajudicial de pagos*) under articles 631 *et seq.* of the Spanish Recast Insolvency Law (the "**Creditors' Negotiations Communication**"). Effectively, by means of the Creditors' Negotiations Communication, in addition to those two months, the debtor gains an additional three-month period as from the date when the debtor gives such notice to achieve an agreement with its creditors or to (i) obtain accessions to a pre-arranged CVA, (ii) achieve a refinancing agreement with its creditors or achieve an out of court repayment agreement, and one further month to file for the declaration of insolvency, unless it is no longer insolvent. During this period of three months, creditors' petitions for Mandatory Insolvency will not be accepted. During the fourth month period: (i) the debtor has the duty to file for insolvency, unless a pre-arranged CVA, a collective out of court workout or an out of court repayment agreement is achieved (i.e. the company would gain four month grace period to file for insolvency by a Creditors' Negotiations Communication); and (ii) the mandatory petitions could be filed but would not be accepted if the debtor has filed a voluntary insolvency petition (i.e. voluntary case filings have priority over involuntary ones within the fourth month).

Likewise, the Creditors' Negotiations Communication to obtain support to reach a pre-arranged CVA or a collective out of court workout (a refinancing agreement or *acuerdo de refinanciación*) set out in articles 598 or 606 of the Spanish Recast Insolvency Law, prevents the commencement of court or out of court enforcement actions and/or suspends (as applicable) existing enforcement actions, over assets or rights which are necessary for the company's business operations (other than those arising from public law claims) during a three-month period. In addition, enforcement proceedings that are brought by creditors holding financial liabilities (*pasivos financieros*), as defined in article 606 of the Spanish Recast Insolvency Law, shall be prohibited or suspended (as applicable), provided that it is evidenced that at least 51% of the creditors holding financial liabilities (by value) have supported the initiation of negotiations to enter into a refinancing agreement and have agreed to suspend or not initiate enforcement proceedings against the debtor while creditors holding financial liabilities are still negotiating. Nevertheless, secured creditors shall be entitled to bring enforcement proceedings against the corresponding secured assets. However, if these secured assets are necessary for the continuity of the debtor's business or professional activity, once enforcement proceedings have been initiated, they shall be immediately suspended until three months have elapsed from the date when the Creditor's Negotiations Communication is filed. Financial securities subject to the RDL 5/2005 (as defined below) and security interests over collateral located outside of Spain should not be affected by the Creditors' Negotiations Communication automatic stay.

Request of coordinated insolvency

The insolvency of a company that forms part of a group of companies, including the parent company, does not automatically lead to the insolvency of the remaining companies of the group. As stated above, a company is insolvent when it cannot regularly meet its payment obligations as they fall due. This analysis is conducted individually at each company level.

Notwithstanding the above, creditors may apply for a coordinated insolvency declaration of two or more of its debtors (*acumulación de concursos*) if either: (a) the assets are commingled, or (b) such debtors form part of the same group of companies.

Therefore, the request for the coordinated insolvency of two or more legal entities may only be filed by a common creditor of the relevant companies and each of the affected companies must in fact be separately insolvent.

Coordinated insolvency may also be requested by the companies themselves provided that they form part of the same group.

As to ongoing insolvency proceedings, any of the insolvent debtors or the insolvency administrator, as the case may be, may apply for the procedural coordination under certain circumstances (and, in particular, if the insolvent debtors form part of the same group of companies). Moreover, creditors may apply for the procedural coordination of the insolvency proceedings of two or more of its debtors already declared if either (a) the assets are commingled, or (b) they pertain to the same group of companies, provided that a petition has not been submitted by any of the insolvent debtors or by the insolvency administrator pursuant to Article 41 of the Spanish Recast Insolvency Law.

It is important to note that coordinated insolvency proceedings do not entail substantive consolidation. As a result, and as a general rule, a "group insolvency" does not lead to a commingling of the debtors' assets and creditors of such group. This means that the creditors of one company of the group will not have recourse against other companies of the same group (except where cross-guarantees exist, in which case such a financial claim shall be subordinated).

The current system that the Spanish Recast Insolvency Law provides for is basically a procedural which is aimed at making the insolvency proceedings as time and cost-efficient as possible. However, exceptionally, for the purpose of drafting the insolvency report, by the insolvency administrator only, assets and liabilities amongst the insolvent companies may be consolidated where the estates and liabilities are so commingled, in order to avert unjustified cost and delay.

Effects of Bankruptcy Declaration

<u>Effects for the Debtor</u>

As a general rule, the debtor in a voluntary case retains its management power, but is subject to the intervention (*intervención*) of the insolvency administrator (*administrador concursal*), who is appointed by the court (intervention regime). In the case of mandatory insolvency, as a general rule and subject to certain exceptions, the debtor's management will be replaced (*sustitución*) by the insolvency administrator, implying that the debtor no longer has power over its assets, and management's powers (including the power to dispose of assets) are conferred solely upon the insolvency administrators (suspension regime). However, the court has the power to modify this general regime subject to the specific circumstances of the case. In addition, upon the insolvency administrator's request, the court has the power to swap the intervention regime for a suspension regime or vice versa. Actions carried out by the debtor that breach any required supervision of the bankruptcy authorities may be declared null and void unless ratified by the insolvency administrators (*administradores concursales*).

Effects on Contracts

Bankruptcy declaration does not affect contracts with reciprocal obligations pending performance by both parties by bankruptcy declaration (executory contracts), which remain in full force and effect, and the obligations of the insolvent debtor will be fulfilled against the insolvent estate. The court can nonetheless terminate (reject) any such contracts at the request of the insolvency administrator (provided that management's powers have been solely conferred upon the insolvency administrator), the company itself (if its powers to manage and dispose of its business are only subject to the intervention of the insolvency administrator) when such termination is in the interest of the estate (*resolución del contrato en interés del concurso*), or terminate for breach at the request of the non-insolvent party if there has been a breach of such contract. The termination of such contracts may result in the insolvent debtor having to return consideration received or indemnify its counterparty against the insolvency estate (*con cargo a la masa*). On the other hand, the judge may decide to cure any breach of the insolvent debtor at its request or the insolvency administrator's request (assumption) (*mantenimiento del contrato en interés del concurso*), in which case the non-insolvent party shall have claim against the insolvency estate (pre-deductible claim from the estate).

Creditors will be able to accelerate, but not to terminate executory contracts based only on bankruptcy declaration (*declaración de concurso*) of the debtor. Pursuant to Article 156 of the Spanish Recast Insolvency Act, all clauses in contracts with mutual obligations that entitle any party to terminate an agreement based solely on the other party's declaration of insolvency (*ipso facto* clauses) are deemed as not included in the agreement (void) and, therefore, unenforceable, except if expressly permitted by specific laws (i.e., agency laws).

Additionally, bankruptcy declaration suspends interest accrual, except for claims secured with an in *rem* right, in which case interest accrues up to the value of the security, and except for any wage credits in favor of employees, which will accrue the legal interest set forth in the corresponding Law of the State Budget (*Ley de Presupuestos del Estado*).

In any event, setoff is prohibited unless the requirements for the setoff were satisfied prior to the declaration of insolvency or the claim of the insolvent debtor is governed by a law that permits set-off.

On enforcement proceedings

As a general rule, the enforcement rights of unsecured creditors are suspended upon the court declaration of insolvency (with the exception of certain actions conducted by public authorities that do not concern assets necessary for the continuation of the commercial or professional activity of the debtor). Additionally, once the insolvency proceeding is declared open, singular, judicial or extrajudicial enforcements may not be initiated, nor may administrative or tax demands for payment to be collected coercively against the assets of the debtor be continued.

The enforcement of any security over certain assets or rights that are necessary for the continuation of the commercial or professional activity of the debtor may not be commenced and the procedures already initiated before the declaration of insolvency shall be suspended for one year since such declaration, unless an arrangement of a CVA is reached, *provided* that it does not affect such right. Enforcement will be suspended even if at the time of declaration of insolvency the notices announcing the public auction have been published.

(a) After such one-year moratorium without liquidation having started, a separated enforcement could be instituted, so long as the secured creditor is not bound by a CVA affecting its claim.

(b) Enforcement proceedings conducted before other courts or notary publics will be stayed within this one-year period unless the insolvency court declares that the collateral is not necessary for the continuation of the commercial or professional activity of the debtor.

When it comes to determining which assets or rights of the debtor are used for its professional or business activities, courts have generally embraced a broad interpretation and will likely include most of the debtor's assets and rights. Nevertheless, shares/quota shares held by an insolvent debtor in another company whose only activity is the holding of a material asset and servicing the financing provided in connection with the acquisition of that asset, are not considered to be an asset necessary for the debtor's business activity as long as the foreclosure of the relevant security interest that has been granted over such shares/quota shares does not bring about the termination or amendment of the insolvent debtor's contracts with such subsidiary allowing the insolvent debtor to exploit such asset.

The above regime does not affect financial collateral foreseen under RDL 5/2005 (the Spanish law implementing the EU Financial Collateral Directive), which shall be still enforceable, or where the collateral is located in another EU member state by the time of insolvency declaration. If the collateral is located in a non-EU state by the time of insolvency declaration, the automatic stay (if any) and, in general, the effects of the insolvency will be governed by the insolvency law of the state where the collateral is located.

Pursuant to Articles 44, 52 *et seq.* and 142 *et seq.* of the Spanish Recast Insolvency Law, in order to protect the interests of the debtor and creditors, the jurisdiction of the court dealing with insolvency proceedings is extended to handle any enforcement proceedings or interim measures affecting the debtor's assets (whether based upon civil, labor or administrative law).

As a general rule, insolvency proceedings are not compatible with other enforcement proceedings which can have an effect on the insolvent estate (excluding enforcement proceedings with regard to financial collateral (as defined in RDL 5/2005) or collateral located in an EU state other the Spain or, subject to local law, a third state). When compatible, in order to protect the interests of the debtor and creditors, the Spanish Recast Insolvency Law extends the jurisdiction of the court dealing with insolvency proceedings, which is then legally authorized to handle any enforcement proceedings or interim measures affecting the debtor's assets (whether based upon civil, labor, or administrative law).

Finally, prospective investors should also note that enforcement of any security interests will be subject to the provisions of Spanish Procedural Law and Spanish Recast Insolvency Law (where applicable), which may entail delays in the enforcement.

Ranking of Credits

The judge's insolvency order contains an express request for creditors to declare debts owed to them within a one-month period following the last official publication in the Official State Gazette (*Boletín Oficial del Estado*) of the court order declaring the insolvency (proof of claims), by providing original documentation that justifies their claims. Based on such documentation provided by the creditors and held by the debtor, the insolvency administrator draws up a list of acknowledged claims and classifies them according to the categories established under law, which are as follows: (i) claims against the debtor's estate; (ii) claims benefiting from special privileges; (iii) claims benefiting from general privileges; (iv) ordinary claims; and (v) subordinated claims.

(1) Claims against the insolvency estate (*créditos contra la masa*) from Section 242 of the Spanish Recast *Insolvency* Act sets out the so-called "estate claims" which are pre-deductible claims from the estate (excluding those assets of the insolvent debtor subject to *in rem* security), are generally payable when due according to their own terms (and, therefore, are paid before other claims). Debt against the insolvency estate includes, among others, (a) certain amounts of the employee payroll, (b) costs and expenses of the insolvency proceedings, (c) certain amounts deriving from executory contracts and obligations to return and indemnify in cases of voluntary termination or breach by the insolvent debtor, (d) those amounts that derive from the exercise of a clawback action within the insolvency proceedings of acts performed by the insolvent debtor and correspond to a refund of consideration received by it, if tied to bilateral contracts (except in cases of bad faith), (e) certain amounts arising from obligations created by law or from tort liability of the insolvent debtor after the declaration of insolvency and until its conclusion, (f) certain debts incurred by the debtor following the

declaration of insolvency; (g) in case of liquidation, the credit rights granted to the debtor under a Composition Agreements, (h) 50% of the new funds lent under a refinancing arrangement entered into in compliance with the requirements set forth in Articles 598 or 606 of the Spanish Recast Insolvency Act; excluding the new funds lent by persons being in a special relationship with the debtor through a share capital increase, loan or analogous transaction (however, please note that pursuant to Act 3/2020, of September 18, 2020, in the event of the breach of a CVA approved or amended within the two years following the declaration of State of Alarm – March 14, 2020 – loans, credit facilities or other analogous agreements, or funds arising from persoal or in-rem guarantees held by specially related persons shall be considered (under certain conditions) as estate claims);

(2) Claims benefiting from special privileges, representing security on certain assets (*essentially in rem security*). Creditors benefiting from special privileges, representing security over certain assets (*in rem* securities) up to the amount of the value of their security, provided that such security is listed in the creditors' list (in this regard, the value of a security shall be 90% of the reasonable value of the secured asset determined in accordance with the rules set out in articles 273 *et seq.* of the Spanish Recast Insolvency Act minus senior claims). The part of the claim exceeding the value of their security will be classified according to the nature of the claim. These claims benefiting from special privileges may entail separate proceedings, though subject to certain restrictions derived from a waiting period that may last up to one year from the declaration of the insolvency and certain additional limitations set forth in the Spanish Recast Insolvency Act. However, within such waiting period or while any enforcement proceedings remain suspended under the Spanish Recast Insolvency Act, the insolvency administrator has the option to pay the relevant claims against the insolvency estate under specific payment rules. Privileged creditors are not subject to Composition Agreement, unless they give their express support by voting in favor of the Composition Agreement or, in case they do not give such express support, if creditors holding security which represent at least 60% (or 75% depending on the conditions of the composition agreement) of the total value of secured claims of the same class vote in favor of such composition agreement. In the event of liquidation, they are the first to collect payment against the secured assets on which they are secured;

(3) Claims benefiting from general privileges include, among others, certain labor debts and certain debts with public administrations. Other debts with public administrations corresponding to tax debts and social security obligations and debts held by the creditor applying for the corresponding insolvency proceedings, to the extent such application has been approved, are recognized as privileged for up to 50% of the amount of such debts. New funds under a refinancing arrangement entered into in compliance with the requirements set forth in Articles 598 or 606 of the Spanish Recast Insolvency Act in the amount not admitted as a debt against the insolvency estate (*crédito contra la masa*) will also be credits with general privileges. The holders of general privileges are not to be affected by the restructuring (under a Composition Agreement) except if they give their express support by voting in favor of the Composition Agreement or, in the case they do not give such express support, if creditors holding claims benefiting from general privileges which represent at least 60% (or 75% depending on the conditions of the composition agreement) of the total value of claims benefiting from general privileges of the same class vote in favor of such composition agreement. If they do not agree to the arrangement and, in the event of liquidation, they are the first to collect payment (in the order established by law);

(4) Ordinary claims (non-subordinated and non-privileged claims) will be paid on a pro-rated basis from the proceeds of the assets not subject to secured claims, former pre-deduction of estate claims and generally privileged claims; and

(5) Subordinated claims are thus classified contractually or pursuant to law. Debts subordinated by virtue of law include, among others, those credits held by parties in special relationships with the debtor. In the case of individuals, this includes their relatives, legal entities

controlled by the debtor or its relatives, the factual or legal administrators of such legal entities, any other legal entity forming part of the same group of companies and the legal entities in respect of which the people described in this paragraph are their factual and legal administrators. In the case of a legal entity, the following shall be deemed as "specially related parties": (i) shareholders with unlimited liability (in case such shareholders are natural persons it would include any specially related party to these shareholders, as described herein); (ii) limited liability shareholders holding, directly or indirectly, 10% or more of the insolvent company's share capital (or 5% if the company is listed)—when the shareholder is an individual, those who would be specially related to the individual are also specially related to the debtor; or (iii) directors (either *de jure* or *de facto*), liquidators and those holding general powers of attorney from the insolvent company (including those people that have held these position during the two years prior to the insolvency declaration); and (iv) companies pertaining to the same group as the debtor and their common shareholders provided such shareholders meet the minimum shareholding requirements set forth in (ii) above. Notwithstanding the above, creditors who have directly or indirectly capitalized their credit rights or were appointed as directors pursuant to a refinancing arrangement entered into in compliance with the requirements set forth in Articles 598 or 606 of the Spanish Recast Insolvency Act shall not be considered as being in a special relationship with the debtor, in respect of credits against the debtor, as a result of the financing granted under such refinancing arrangement. Furthermore, in the absence of evidence to the contrary, assignees or awardees of claims belonging to any of the persons mentioned in this paragraph are presumed to be persons specially related to the insolvent debtor as long as the acquisition has taken place within two years prior to the insolvency proceedings being declared open. Subordinated creditors are second-level creditors: they do not vote on the Composition Agreement and in the event of liquidation collect payment according to the ranking established in the Spanish Recast Insolvency Act (once ordinary creditors have been paid in full).

As an exception to the subordination regime, new financing granted to the debtor pursuant to a refinancing agreement regulated under articles 598 or 606 of the Spanish Recast Insolvency Law, which also contemplates a capitalization of credit rights before the granting of new financing, shall not be classified as a subordinated claim under article 281 of the Spanish Recast Insolvency Law, provided that the requirements set out in article 283 of the Spanish Recast Insolvency Law are met. This is an incentive to promote refinancing and capitalization of credit rights.

Moreover, as a consequence of the of the outbreak of the COVID 19 pandemic, the Act 3/2020, of September 18 (in force as of September 20, 2020) has enhanced the position of certain "specially related parties" in order to solve situations of lack of liquidity. Accordingly, in insolvency proceedings declared on or before March 14, 2022: (i) financing granted by specially related parties; or (ii) financing in which they have been subrogated as creditors because of due payment (e.g., as a result of the enforcement of a personal guarantee, resulting in a claim of the guarantor *vis-à-vis* the debtor) would not be subordinated, but rather considered ordinary or privileged credit claims.

Hardening Periods

There is no automatic claw-back by virtue of law. Therefore, there are no prior transactions that automatically become void as a result of initiation of the insolvency proceedings. The insolvency administrator or receiver may only challenge those transactions that could be deemed as being "detrimental" (perjudiciales) to the insolvent debtor's estate, provided that they have taken place within two years prior to bankruptcy declaration, even in the absence of fraudulent intent (transactions taking place four years before the insolvency declaration are subject to the ordinary regime of rescission set forth in the Spanish Civil Code).

"Detriment" does not refer to the intention of the parties, but to the consequences of the transaction on the debtor's interests. Pursuant to the law, (a) detriment exists (as a non-rebuttable presumption, without admission of proof to the contrary) in the case of

(i) disposals without consideration, except for ordinary largesse (*liberalidades de uso*) and (ii) early payment of unsecured obligations maturing after the insolvency declaration (except secured claims); and (b) detriment is deemed to exist (as a rebuttable presumption) in the case of (i) transactions entered into with parties that have a special relationship with the debtor, (ii) the creation of in rem rights in order to secure pre-existing obligations or those incurred to replace existing obligations and (iii) the cancellation of obligations secured by an in rem security falling due after the declaration of insolvency. In the remaining cases, detriment would have to be evidenced by the party seeking rescission.

Guarantees or security interests granted by a Spanish company in favor of a third party, to secure other group companies' debt may be subject to clawback, on the basis that such guarantees or security interests may be considered as detrimental to the guarantor's estate, if the guarantor is not able to show that there was a tangible and identifiable corporate benefit for the guarantor to grant such guarantee or security (beyond an abstract group interest or general mentions to pertinence to the same group of companies or the so-called "group interest"). Whether or not the granting of any upstream guarantee or security by the guarantor is detriment to the guarantor's estate is a factual matter that will need to be proven on a case by case basis (the beneficiary of the guarantee bearing the burden of such proof). Notwithstanding the foregoing, Spanish case law recognizes the validity of upstream guarantees.

If a rescission action is successful, restoration of the assets that are the subject of the transaction, together with the proceeds and interest, will be ordered by the judge. If the assets cannot be restored to the debtor, the counterparty to the insolvent debtor must pay an amount in cash equal to the value of the assets at the time of their disposal, plus interest. If the judge rules that the transaction has been conducted in bad faith, the liable party will be obligated to indemnify the debtor for loss and damages suffered as its claim will be classified as subordinated. If the judge does not conclude that the transaction was conducted in bad faith, the counterparty to the debtor will settle its credit simultaneously with the restoration of the assets and rights to the insolvency estate as per bilateral contracts.

The exercise of rescission actions does not prevent other actions against the debtor in accordance with law, which may be brought before the bankruptcy judge.

Under no circumstances can be rescinded: (i) ordinary transactions carried out within the debtor's ordinary course of the business cannot be rescinded, provided that they are carried out under market conditions, (ii) actions contemplated in the specific legislation regarding systems of payment, set-off or liquidation of values and derivative instruments, and (iii) guarantees constituted in favor of Public Law credits or credits in favor of the labor authorities.

Neither "Refinancing Agreements," nor any transactions, acts and payments accomplished or any guarantees instituted in the performance of such "Refinancing Agreements," will be subject to an action for rescission, provided that they comply with the requirements set out below in section 'Protection of Certain Refinancing Agreements'.

Fraudulent Conveyance Laws

Under Spanish law, in addition to the bankruptcy clawback action, the insolvency administrator and any creditor may bring an action to rescind a contract or agreement (*acción rescisoria pauliana*) against its debtor and the third party which is a party to such contract or agreement, provided the same is performed or entered into fraudulently and the creditor cannot obtain payment of the amounts owed in any other way. Although case law is not entirely consistent, it is broadly accepted that the following requirements must be met in order for a creditor to bring such action:

- the debtor owes the creditor an amount under a valid contract and the fraudulent action took place after such debt was created;
- the debtor has carried out an act that is detrimental to the creditor and beneficial to the third party;

- such act was fraudulent;
- there is no other legal remedy available to the creditor to obtain compensation for the damages suffered; and
- debtor's insolvency, construed as the situation where there has been a relevant decrease in the debtor's estate making it impossible or more difficult to collect the claim.

The existence of fraud (which must be evidenced by the creditor) is one of the essential requirements under Spanish law for the action to rescind to succeed. Pursuant to Article 1,297 of the Spanish Civil Code: (i) agreements by virtue of which the debtor transfers assets for no consideration and (ii) transfers for consideration carried out by parties who have been held liable by a court (*sentencia condenatoria*) or whose assets have been subject to a writ of attachment (*mandamiento de embargo*) will be considered fraudulent. The presumption referred to in (i) above is a *juris et de jure* presumption (cannot be rebutted by evidence), unlike the presumption indicated in (ii) above, which is a *juris tantum* presumption (a rebuttable presumption).

If the rescission action were to be upheld, the third party would be liable to return the consideration received under the contract in order to satisfy the debt owed to the creditor. Following that, the creditor would need to carry out the actions necessary to obtain the amount owed by the debtor. If the consideration received by the third party under the contract cannot be returned to the debtor, the third party must indemnify the creditor for such damages.

Protection of Certain Refinancing Agreements

Certain refinancing agreements denominated "Collective Refinancing Agreements" may be protected from claw-back risk provided that they comply with certain requirements further explained in the section referred to as "*—Cramdown Effects of Certain Refinancing Agreements*".

In the case that such refinancing agreements are not subject to the procedure of judicial sanctioning therein described (*homologación*), they may still have certain (but not total) protection against clawback, if they are backed by at least 3/5 (60%) of the total claims of the insolvent debtor (calculated on an individual and on a consolidated basis but excluding intragroup claims). Among other requisites, the refinancing agreements must be founded on a viability plan reflecting that the insolvent debtor will be viable in the short and medium term and must comply with the rest of requirements explained below.

Cramdown Effects of Certain Refinancing Agreements

In order to seek protection against clawback, refinancing agreements can be judicially sanctioned (*homologado*) by the commercial court that will be competent to conduct a potential bankruptcy proceeding, upon request by the debtor or by any creditor having entered into such refinancing agreements, if (i) they entail a significant enlargement of debtor's credit or a change in the debt structure by either granting a longer term or replacing previous claims with new ones with longer maturity dates; (ii) they have been subscribed by creditors holding financial liabilities representing, at least, 51% of the debtor's financial liabilities whether or not subject to financial supervision (that is to say the Spanish Recast Insolvency Act excludes public creditors, labor creditors and those of commercial transactions in order to calculate whether the required thresholds are met) at the date of the refinancing agreement; (iii) the debtor's auditor issues a certificate acknowledging that the required thresholds have been reached (in the case of a group a companies, pursuant to certain precedents, the majority arguably refers both individually to each company and to the group as a whole -where the intercompany claims are not taken into account-), and when the company has no auditor, by the one appointed for this purpose; and (iv) the agreement is formalized in a public instrument and the documents that validate its content must be attached. Judicially sanctioned refinancing agreements will not be subject to the bankruptcy claw-back action, but they may be challenged pursuant to general fraudulent conveyance law.

As to the rules to calculate whether the required thresholds have been reached, all creditors holding an interest in a syndicated loan will be deemed to have adhered to the refinancing agreement if it is favorably voted upon by at least 75% of the liabilities represented by the loan, or a lower majority if so established in the syndicated loan agreement. Whether or not dissidents can be extended effects beyond those provided by the law or object to homologation, and whether they have standing to object to homologation, is controversial.

The following cramdown effects of homologated refinancing agreements may be imposed on (i) dissenting or non-participating unsecured financial creditors including secured financial creditors to the extent of that part of their secured claim not covered by their security interest, as such security interest is to be valued in accordance with the rules set out by the latest reform of the Spanish Recast Insolvency Act and (ii) dissenting secured creditors in respect of their secured claims, provided they achieve the thresholds mentioned below:

(a) If the judicially sanctioned refinancing agreement is supported by creditors representing at least 60% of the debtor's financial liabilities, stays of payments may be granted for up to five years or the debt converted into so-called profit participation loans (*préstamos participativos*) of term up to five years.

Further, these effects may be extended to the amount of secured claims of non-participating or dissenting creditors, when the agreement has been entered into by financial creditors holding secured claims which represent at least 65% of the value of all secured claims of the debtor.

(b) If the homologated refinancing agreement is supported by creditors representing at least 75% of the debtor's aggregate financial liabilities:

   (i) stays of payments for up to ten years;

   (ii) haircuts;

   (iii) capitalization of debt. Nevertheless, those creditors that have not supported such refinancing agreement (either because they did not sign the agreement or because they oppose it) may choose between (i) the debt for equity swap contemplated by the agreement; or, as default option, (ii) a discharge of their claims equal to the nominal amount (including any share premium) of the shares/quota shares that would have corresponded to that creditor as a consequence of the relevant debt for equity swap;

   (iv) conversion of debt into profit participation loans of up to ten years, convertible obligations, subordinated loans, payment in kind facilities, or in any other financial instrument with a ranking, maturity and features different to the original debt; and

   (v) assignment of assets or rights as assignment in kind for total or partial payment of the debt (*datio pro solute* or *datio pro solvendo*).

Further, these effects may be extended to the amount of secured claims of non-participating or dissenting creditors, when the agreement has been entered into by financial creditors holding secured claims which represent at least 80% of the value of all secured claims of the debtor.

Conclusion of insolvency

Settlement

Once the debtor's assets and liabilities have been identified, the Spanish Recast Insolvency Law encourages creditors to reach a CVA regarding payment of the insolvency debts. The CVA may be proposed either by the debtor or by the creditors, and it shall set forth how, when and up to what amount creditors are to be paid. Once executed, the CVA must be honored by the debtor and respected by the creditors.

The CVA must contain proposals for write offs and stays. Article 317 of Spanish Recast Insolvency Law provides that it may also contain alternative or additional proposals for all creditors or for certain classes of creditors (except for public entities), including conversion of debt into shares, into profit participating loans, convertible bonds or subordinated debt, or any financial instrument different from the original debt. It may also include proposals for allocation of all assets or of certain assets to a specific person with a commitment from the acquirer to continue the activity and to pay off the debt as determined in the CVA.

The proposals in the CVA shall include a payment schedule and a viability plan.

In order for a CVA to be deemed approved by the creditors, the following majorities shall be met at the creditors' meeting:

(a) In case the CVA contains write offs equal to or less than 50% of the amount of the claims; stays on the payment of principal, interest or any other outstanding amount, for a period not exceeding five years; or, in the case of creditors other than those related to the public administration or employment matters, the conversion of debt into profit participating loans (préstamos participativos) over the same period, at least 50% of the unsecured claims (ordinary credits) have voted in favor of such CVA. Notwithstanding the above, a simple majority will suffice when the CVA consists of (i) full payment of ordinary or unsecured claims within a period not exceeding three years or (ii) immediate repayment of outstanding ordinary unsecured claims applying a write off of less than 20%.

(b) In case the CVA contains stays of between five and ten years; write offs of more than 50% of the amount of the claims and, in the case of creditors other than those related to the public administration or employment matters, the conversion of debt into profit participating loans over the same period and any other proposal permitted under the Spanish Recast Insolvency Law, 65% of the unsecured claims (ordinary credits) should have voted for the CVA.

The holders of subordinated credits and those creditors considered as especially related to the debtor are not entitled to vote.

Although in principle privileged creditors are not subject to an approved CVA (unless they have expressly voted in its favor) the effects of an approved CVA can be extended to privileged creditors; provided that the relevant CVA has been approved by the following majorities of creditors within its category of creditors (labor creditors, public law creditors, financial creditors or others):

(a) In case the CVA contains a write off (or debt discharges) equal to or less than 50% of the amount of the claims, stays for a period no longer than 5 years or conversion of debt into profit participating loans, also for a period no longer than five years, at least 60% of privileged creditors have voted in favor; and

(b) In case the CVA contains a write off of more than 50% of the claim; stays (for a period between five and ten years), conversion of debt into profit participating loans also for a period between five and ten years, and any other proposal permitted under the Spanish Recast Insolvency Law, at least 75% of privileged creditors have voted in favor.Liquidation.

Failure to obtain the approval of a CVA or upon debtor's petition at any time leads to liquidation. The debtor must file a petition for liquidation if, after a CVA has been approved, it becomes aware of no longer being able to meet the payment commitments and obligations undertaken after the approval of such CVA. In such a case, the company will be aimed at dissolution and the directors (in the event of voluntary insolvency) will be removed. Deferred credits will compulsorily fall due and credits consisting of other benefits are converted into cash credits.

The insolvency administrator will be required to submit a liquidation plan that must be approved by the insolvency court. The insolvency administrator is required to report quarterly on the liquidation and has one year to complete it. If the liquidation is not completed within one year, the court may appoint a different insolvency administrator.

Termination of the insolvency proceedings

Article 465.6° of the Spanish Recast Insolvency Law also foresees the termination of the insolvency proceeding at any stage when it is proven that all credits have been paid, or that all creditors have been entirely satisfied by other means, or that the situation of insolvency (i.e. the impossibility to face payment obligations regularly) has been overcome.

Finally, it must be noted that article 473 of the Spanish Recast Insolvency Law foresees the termination of the insolvency proceeding at any time when assets are not enough to pay post-insolvency debt, as long as no future claw back actions are envisaged, nor actions claiming liability to third parties, nor the assessment of the proceeding as guilty.

Set-off

Spanish Insolvency Act generally prohibits set-off of the credits and debts of the insolvent company once it has been declared insolvent, but such set-off whose requirements in order to operate were met before the declaration of insolvency can still apply. However, set-off may be exercised by a determined creditor vis-à-vis the insolvent company if the governing law of the reciprocal credit right of the insolvent company permits it under insolvency scenarios.

Applicable Jurisdiction

The applicable jurisdiction to conduct an insolvency proceeding is the one in which the insolvent party has its "centre of main interests". This "centre of main interests" is deemed to be where the insolvent party conducts the administration of its interests on a regular basis and which may be recognized as such by third parties. Insolvency proceedings conducted by the court of the "centre of main interests" are considered "the principal insolvency proceedings" and have universal reach affecting all the assets of the insolvent party worldwide, with certain exceptions, such as security interests over assets located outside of Spain. If the "centre of main interests" is not in Spain, but the insolvent party has a permanent establishment in Spain, Spanish courts will only have jurisdiction over the assets located in Spain (the "territorial insolvency proceedings").

In the event Spanish courts have jurisdiction, article 261 of the current Spanish Recast Insolvency Act may apply, in which case the claims of the beneficiaries of the guarantee provided by a Spanish Guarantor may be classified as "contingent" claims and no amount may be recognized until and when a default occurs and the guarantee is validly enforced. Nor will they have voting rights. Special rules can apply if the guarantee is not a first demand guarantee but an ordinary guarantee (*fianza*) and, therefore, the benefits of preference (*excusión*), order (*orden*) and division (*división*) apply.

Temporary special insolvency provisions enacted due to the COVID-19 pandemic

The effects and impact derived from the COVID-19 pandemic have led the Spanish Government to enact a series of regulations that introduce or establish certain temporary measures in the field of insolvency law aimed to preserve the Spanish business tissue and the creation of a stable restructuring scenario. These regulations include, mainly, Royal Decree Law 8/2020, of March 17, of urgent extraordinary measures to mitigate the economic and social impact of COVID-19 (*Real Decreto-ley 8/2020, de 17 de marzo, de medidas urgentes extraordinarias para hacer frente al impacto económico y social del COVID-19*), Royal Decree Law 16/2020, of April 28, of procedural and organizational measures against COVID-19 in the field of the Department of Justice (*Real Decreto-ley 16/2020, de 28 de abril, de medidas procesales y organizativas para hacer frente al COVID-19 en el ámbito de la Administración de Justicia*), which was repealed by and its relevant provisions incorporated in Law 3/2020, of September 18, of procedural and organizational measures against COVID-19 in the field of the Department of Justice (*Ley 3/2020, de 18 de septiembre, de medidas procesales y organizativas para hacer frente al COVID-19 en el ámbito de la Administración de Justicia*), Royal Decree Law 34/2020, of November 17, of urgent measures to support corporate solvency and the energy sector, and on tax matters (*Real Decreto-ley 34/2020, de 17 de noviembre, de medidas urgentes de apoyo a la solvencia empresarial y al sector energético, y en materia tributaria*) and Royal Decree Law 5/2021, of March 12, on extraordinary measures to support business solvency in response to the COVID-19 pandemic (*Real Decreto-ley*

5/2021, de 12 de marzo, de medidas extraordinarias de apoyo a la solvencia empresarial en respuesta a la pandemia de la COVID-19) (altogether the "**Spanish COVID-19 Regulations**"). Among other measures related to debtors which have already filed for insolvency or subject to opened insolvency proceedings or which have entered into composition agreements or refinancing scheme agreements before the enactment of the Spanish COVID-19 Regulations, the main measures related to insolvency law introduced by the Spanish COVID-19 Regulations summarily include:

1. Insolvency moratorium: the Spanish COVID-19 Regulations entailed the introduction and subsequent extensions of an exemption for directors in relation to their duty to file for insolvency irrespective of whether they have notified the Court of the initiation of negotiations for debt restructuring with creditors.

2. New money provided by specially related persons: the Spanish COVID-19 Regulations set forth that as regards insolvency proceedings declared within two years of the declaration of the state of alarm (*estado de alarma*) in Spain, i.e. March 14, 2020, new money provided by specially related persons and any claims in which such specially related person is subrogated after such date will have the consideration of ordinary claims, thus not subordinated.

3. Insolvency proceedings and liquidation plans: the Spanish COVID-19 Regulations introduced different measures to accelerate insolvency proceedings. In relation to those insolvency proceedings opened within two years of the declaration of the state of alarm (*estado de alarma*) in Spain, i.e. March 14, 2020, challenges against the list of creditors or assets (*inventario*) will need to be sustained on documentary or expert evidence (*prueba pericial*). In relation to those insolvency proceedings already opened at the date of declaration of the state of alarm (*estado de alarma*) or those opened in the following year, and subject to certain exceptions, all auctions shall be out of court auctions (*subastas extrajudiciales*). Finally, as a general measure, the approval of liquidation plans has been expedited.

LISTING AND GENERAL INFORMATION

Admission to Trading and Listing

Application has been made for the Notes to be listed on the Official List of the LuxSE and admitted to trading on the Euro MTF Market, in accordance with the rules and regulations of such exchange.

Listing Information

For so long as the Notes are listed on the Official List of the LuxSE and are admitted to trading on the Euro MTF Market and the rules and regulations of the LuxSE so require, copies of the following documents may be inspected and obtained free of charge at the specified office of the Luxembourg paying agent during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted):

- the Offering Memorandum;
- the organizational documents of the Issuer and the Guarantors;
- the financial statements included in this Offering Memorandum;
- the security documents;
- the Indenture (including the Notes Guarantees); and
- the Intercreditor Agreement.

The Issuer has appointed The Bank of New York Mellon SA/NV, Dublin Branch as transfer agent and registrar and to make payments on, when applicable, and transfers of the Notes. The Issuer reserves the right to vary such appointments in accordance with the terms of the Indenture.

Approval

The Issuer has obtained or will obtain before the closing of the Offering, all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance of and performance of its obligations under the Notes. The creation and issuance of the Notes will be authorized by the Issuer's Board of Directors dated prior to the closing of the Offering of the Notes.

Clearing Information

The Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under Common Codes 234447432 and 234447491, respectively. The international securities identification number for the Notes sold pursuant to Regulation S is XS2344474320 and the international securities identification number for the Notes sold pursuant to Rule 144A is XS2344474916.

Except as disclosed in this Offering Memorandum, there has been no material adverse change in the Issuer's and the Group's financial position and prospects since December 31, 2020.

General Information on the Issuer

The Issuer is a joint stock company (*società per azioni*) incorporated in Italy and is registered with the Companies' register of Milan-Monza-Brianza-Lodi under registration number and fiscal code 10462810960. The registered office of the Issuer is at Via Alessandro Manzoni 38, 20121 Milan, Italy. The Issuer's LEI is 815600907387ED411436.

General Information on the Guarantors

Flos

Flos S.p.A. is a private joint stock company (*società per azioni*) incorporated under the laws of Italy on September 28, 1962 and with registered office at Via Angelo Faini 2, 25073 Bovezzo (BS), Italy. Flos S.p.A. is registered with the Companies' register of Brescia under registration number and fiscal code 00290820174. As of the date of this Offering Memorandum, Flos S.p.A. has a share capital of €1,875,000 which has been fully paid up, comprised of 13,730,840 shares, with no par value.

Antares Iluminación S.A.U.

Antares Iluminación S.A.U. is a limited liability company in the form of a Spanish *sociedad anónima* incorporated under the laws of Spain on September 15, 1989 and with registered office at Polígono Industrial de Reva, Sector 12, Parcela A5, calle Mallorca 1, Ribaroja de Turia, Valencia (Spain). Antares Iluminación S.A.U. is registered with the Spanish Commercial Registry (*Registro Mercantil*) under Volume 3,172, Sheet V-6, 879, Page 76 and holds Spanish tax identification number (N.I.F.) A46648507 and EUID ES46030.000019342. As of the date of this Offering Memorandum, Antares Illuminación S.A.U. has a share capital of €400,686.70 which has been fully paid up, comprised of 13,334 nominative shares, with par value of €30.05 each.

Louis Poulsen A/S

Louis Poulsen A/S is a public limited liability company (*aktieselskab*) incorporated under the laws of Denmark on April 1, 1958 and with registered office at Kuglegårdsvej 19, 1434 Copenhagen, Denmark. Louis Poulsen A/S is registered with the Danish Business Authority (*Erhvervsstyrelsen*) under company registration number (CVR) 59742817. As of the date of this Offering Memorandum, Louis Poulsen A/S has a share capital of DKK 10,000,000 which has been fully paid up, with each share having a nominal value of DKK 1 (or multiples hereof).

B&B

B&B Italia S.p.A. is a private joint stock company (*società per azioni*) incorporated under the laws of Italy on August 2, 2010, with registered office at Via Durini 14, 20122 Milan, Italy. B&B Italia S.p.A. is registered with the Companies' register of Milan-Monza Brianza-Lodi under registration number and fiscal code 07122350965. As of the date of this Offering Memorandum, B&B Italia S.p.A. has a share capital of €1,000,000 which has been fully paid up, comprised of 10,000,000 shares, with no par value.

YDesign

YDesign Group, LLC is a Delaware limited liability company that was organized under the laws of the State of Delaware on August 21, 2008, with a principal place of business at 1850 Mount Diablo Boulevard, Suite 510, Walnut Creek, CA 94596, United States. There are 1,000 membership interest units authorized for issuance pursuant to the organizational documents of YDesign Group, LLC. As of the date of the Acquistion Agreement, there were 975 membership interest units issued and outstanding, all of which have been duly authorized and validily issued and are fully paid or credited as fully paid and nonassessable.

U.S. BidCo

IDG Apollo Parent Inc. is a Delaware corporation incorporated under the laws of the State of Delaware on April 9, 2021, with a principal place of business at c/o Design Holding S.p.A., via Manzoni 38, 20121 Milan, Italy. The authorized share capital of IDG Apollo Parent Inc. consists of 1,000 shares of common stock, with a par value of $0.01 per share, all of which have, as of the date of this Offering Memornadum, been issued to the Issuer.

FINANCIAL INFORMATION

Consolidated Financial Statements of the Issuer, as of and for the year ended December 31, 2020

Building a better working world

International Design Group S.p.A.

Consolidated financial statements as at 31 December 2020

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010

EY S.p.A.
Corso Magenta, 29
25121 Brescia

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the sole Shareholder of
International Design Group S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of International Design Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 as at 31 December 2020, 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.

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 International Design Group 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.

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, 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 International Design Group S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("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 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 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 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.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010[1]

1 The Report on Operations of International Design Group as at 31 December 2020 is not included in this Offering Memorandum.

The Directors of International Design Group S.p.A. are responsible for the preparation of the Report on Operations of International Design Group as at 31 December 2020, including its consistency with the related consolidated financial statements and its 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, with the consolidated financial statements of International Design Group as at 31 December 2020 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of International Design Group as at 31 December 2020 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Brescia, April 9, 2021

EY S.p.A.
Signed by: Stefano Colpani, Independent auditor

This report has been translated into the English language solely for the convenience of international readers.

Consolidated Statement of Financial Position as at December 31, 2020

Amounts in thousands of Euro	Note	December 31, 2020	December 31, 2019
NON-CURRENT ASSETS			
Intangible fixed assets:			
—Goodwill	7	1.052.460	1.052.460
—Other intangible assets	8	588.456	587.449
Right of use	10	43.023	44.503
Property, plant and equipment	9	109.292	111.680
Shareholding in parent company	11	23.365	18.006
Deferred tax assets	12	18.054	17.129
Non-current financial assets	13	3.354	3.466
Other non-current assets		1.912	2.011
Non-current assets vs. ultimate Parent Company		1.066	1.066
TOTAL NON-CURRENT ASSETS		**1.840.982**	**1.837.771**
CURRENT ASSETS			
Inventories	14	100.224	92.152
Trade receivables	15	57.101	68.315
Trade receivables vs. ultimate Parent Company	15	32	197
Tax assets and other current assets:	16		
—Taxes receivables from tax authorities	16.1	4.911	6.333
—Taxes receivables vs. ultimate Parent Company	16.1	2.290	2.341
—Other assets	16.2	5.634	7.011
Cash and short-term deposits	17	92.723	63.564
TOTAL CURRENT ASSETS		**262.915**	**239.914**
Assets held for sale	18	2.011	2.511
TOTAL ASSETS		**2.105.908**	**2.080.196**

Amounts in thousands of Euro	Note	December 31, 2020	December 31, 2019
SHAREHOLDERS' EQUITY	**19**		
Share capital		5.102	5.102
Other reserves		980.794	986.132
Result for the period		21.239	(10.511)
TOTAL GROUP SHAREHOLDERS' EQUITY		**1.007.135**	**980.723**
Minority shareholders' equity		2.875	1.974
Result attributable to minority interests		1.394	930
TOTAL SHAREHOLDERS' EQUITY		**1.011.404**	**983.627**
NON-CURRENT LIABILITIES			
Defined benefit plans	20	7.483	7.721
Provisions for risks and other charges	21	10.986	10.350
Non-current financial liabilities	22	704.674	701.860
Non-current lease liabilities	10	37.571	38.997
Deferred tax liabilities	23	158.856	158.984
Other non-current liabilities	24	106	752
TOTAL NON-CURRENT LIABILITIES		**919.676**	**918.665**
CURRENT LIABILITIES			
Current financial liabilities	22	1.934	7.499
Current lease liabilities	10	9.336	8.341
Trade payables	26	77.870	85.684
Trade payables vs. ultimate Parent Company	25	2.110	8.145
Contract liabilities vs. third parties	25	43.463	30.390
Tax payables and other current liabilities:	26		
—Tax payables to tax authorities	26.1	8.852	8.443
—Tax payables vs. ultimate Parent Company	26.1	2.512	3.313
—Due to social security institutions	26.2	4.866	4.617
—Due to personnel and other payables	26.3	23.885	21.470
TOTAL CURRENT LIABILITIES		**174.828**	**177.904**
TOTAL LIABILITIES		**1.094.504**	**1.096.569**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2.105.908**	**2.080.196**

Consolidated profit and loss statement for the year ended December 31, 2020

Amounts in thousands of Euro	Note	December 31, 2020	December 31, 2019
Revenues from contracts with customers	27	520.561	555.879
Other revenues and income	28	5.333	8.350
Revenues vs. ultimate Parent Company		222	874
Purchases of raw materials and variation in inventories	29	(154.200)	(218.678)
Personnel costs	30	(109.260)	(112.327)
Service costs	31	(116.508)	(125.426)
Service costs towards ultimate Parent Company	31	(5.107)	(10.001)
Provisions	32	(1.972)	(3.107)
Other costs and charges	33	(8.228)	(12.969)
Amortization, depreciation and impairment	34	(33.625)	(31.282)
Financial income	35	1.970	2.090
Financial charges	36	(57.819)	(57.478)
RESULT BEFORE TAX FROM CONTINUING OPERATIONS		**41.367**	**(4.076)**
Income taxes	37	(18.234)	(4.906)
NET RESULT FROM CONTINUING OPERATIONS		**23.133**	**(8.982)**
Net profit of discontinued operations	18	(500)	(599)
PROFIT/(LOSS) FOR THE PERIOD		**22.633**	**(9.581)**
Profit/(Loss) for the period, attributable to minority interest		*1.394*	*930*
Profit/(Loss) for the period, attributable to the Group		*21.239*	*(10.511)*
Earnings per share (EPS)			
Profit attributable to ordinary equity holders of the parent for basic earnings	*38*	4,2	(2,1)
Profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution	*38*	4,2	(2,1)

Consolidated statement of other comprehensive income (OCI) as at December 31, 2020

Amounts in thousands of Euro	Notes	December 31, 2020	December 31, 2019
PROFIT/(LOSS) FOR THE PERIOD		**22.633**	**(9.581)**
Other comprehensive income (expense) that may be restated in the profit/(loss) for the period:			
Exchange difference on translating foreign financial statements		(1.274)	1.296
Profit/(Loss) from cash flow hedge		82	5
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE) THAT MAY BE RECLASSIFIED TO THE PROFIT/(LOSS) FOR THE PERIOD, NET OF TAX		**(1.192)**	**1.301**
Total other comprehensive income (expense) that may not be reclassified to the profit/(loss) for the period, net of tax:			
Net gain/(loss) on equity instruments designated at fair value through other comprehensive income	11	5.294	
(Gain/(Loss) from revaluation on defined benefit plans	20	(56)	(220)
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE) THAT MAY NOT BE RESTATED IN THE PROFIT/(LOSS) FOR THE PERIOD, NET OF TAX		**5.238**	**(220)**
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE), NET OF TAX		**4.046**	**1.081**
TOTAL COMPREHENSIVE INCOME (EXPENSE), NET OF TAX		**26.744**	**(8.500)**
Profit/(Loss) for the period, attributable to minority interest		1.365	945
Profit/(Loss) for the period, attributable to the Group		25.314	(9.445)

Statement of changes in consolidated shareholders' equity at December 31, 2020

	2019-2020							
Amounts in thousands of Euro	**Share Capital**	**Share premium reserve**	**Other reserves**	**Profit for the period**	**Total Group Shareholders' Equity**	**Minority shareholders' equity**	**Net profit attributable to minority interests**	**Total shareholders' equity**
Balance at January 1, 2019	**5.102**	**1.005.423**	**(130)**	**(17.139)**	**993.255**	**5.095**	**476**	**998.826**
Allocation of previous period result	—	—	(17.139)	17.139	—	476	(476)	—
Result for the period	—	—	—	(10.511)	(10.511)	—	930	(9.581)
Other income (expenses)	—	—	1.066	—	1.066	15	—	1.081
Total comprehensive profit for the period	**—**	**—**	**(16.073)**	**6.628**	**(9.445)**	**491**	**454**	**(8.500)**
Dividends	—	—	—	—	—	(801)	—	(801)
Purchase of minority interests	—	—	(4.081)	—	(4.081)	(2.806)	—	(6.888)
Stock option reserve	—	—	943	—	943	—	—	943
Other movements	—	—	50	—	50	(5)	—	45
Total variations for the period	**—**	**—**	**(3.088)**	**—**	**(3.087)**	**(3.612)**	**—**	**(6.700)**
Balance at December 31, 2019	**5.102**	**1.005.423**	**(19.291)**	**(10.511)**	**980.723**	**1.974**	**930**	**983.627**
Balance at January 1, 2020	**5.102**	**1.005.423**	**(19.291)**	**(10.511)**	**980.723**	**1.974**	**930**	**983.627**
Allocation of previous period result			(10.511)	10.511	—	930	(930)	—
Result for the period				21.239	21.239		1.394	22.633
Other income (expenses)			4.075		4.075	(29)		4.046
Total comprehensive profit for the period	**—**	**—**	**(6.436)**	**31.750**	**25.314**	**901**	**464**	**26.679**
Stock option reserve			1247		1.247			1.247
Other movements			(149)		(149)			(149)
Total variations for the period	**—**	**—**	**1.098**	**—**	**1.098**	**—**	**—**	**1.098**
Balance at December 31, 2020	**5.102**	**1.005.423**	**(24.629)**	**21.239**	**1.007.137**	**2.871**	**1.394**	**1.011.404**

Consolidated Statement of Cash Flows

(Amounts in thousands of Euro)	2020	2019
PROFIT FROM OPERATIONS AFTER TAX	**22.633**	**(9.581)**
Depreciation and impairment of property plant and equipment	12.450	12.600
Amortisation and impairment of intangible assets	9.018	8.271
Amortisation and impairment of right of use assets	11.230	10.411
Financial income	(1.969)	(2.090)
Financial charges	57.819	57.478
Income taxes	18.234	4.906
Financial interests paid	(49.464)	(50.536)
Income taxes paid	(10.800)	(11.818)
Other non monetary movements	1.247	943
Net change in employee severance indemnities and pension funds	(239)	(342)
Net change in provisions for risks and other charges	3.354	1.897
Net change in deferred tax assets and liabilities	(1.117)	(10.381)
Changes in working capital:		
(Increase)/decrease in inventories	(9.363)	31.878
(Increase)/decrease in trade receivables	10.453	(949)
(Increase)/decrease in other non-financial assets	1.477	(2.176)
Increase/(decrease) in trade payables	(777)	2.889
Increase/(decrease) in taxes payable	(6.354)	4.386
Increase/(decrease) in other non-financial liabilities	1.891	(2.865)
NET CASH FLOWS FROM OPERATIONS	**69.723**	**44.920**
Investing activities:		
Acquisition of tangible assets net of disposals	(10.063)	(11.057)
Net investments in intangible assets	(10.025)	(9.744)
Acquisition of non-current financial assets	—	(18.006)
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(20.088))**	**(38.807)**
Financing activities:		
(Increase)/decrease of financial receivables	2.081	1.435
Increase/(decrease) in financial payables	(11.106)	(1.824)
Payment of principal portion of lease liability	(10.053)	(8.701)
Share capital increase	—	—
Acquisition of non-controlling interests	—	(6.388)
Dividends paid to minority interests	—	(801)
Other equity movements	(1.398)	628
CASH FLOW FROM FINANCING ACTIVITIES	**(20.476)**	**(15.651)**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**29.159**	**(9.538)**
Net cash and cash equivalents at the beginning of the period	63.564	73.102
Net cash and cash equivalents at the end of the period	92.723	63.564

Notes to the Consolidated Financial Statements

1 Corporate information

The consolidated financial statements of International Design Group S.p.A. (hereafter also "***IDG***" or "***IDG Group***") for the year ended December 31, 2020 has been approved by the Board of Directors on April 7th, 2021.

IDG is a joint stock company, registered and headquartered in Italy, with its registered office in Milan, Via Manzoni 38.

IDG was established on September 10th, 2018 and it is controlled by Design Holding S.p.A. that exercises management and coordination activities.

1.1 COMPANY THAT EXERCISES MANAGEMENT AND COORDINATION ACTIVITIES

As provided by the article 2497-bis of Italian Civil Code, the Group is subject to management and coordination activities by its Ultimate Parent Company **Design Holding S.p.A.** (hereafter also "***DH***"), with its registered office in Milan, Via Manzoni 38, Taxpayer ID and registration n. 10446470964, Chamber of Commerce ID. MI-2532182, established on August 1st, 2018.

In the following table the essential figures of last approved financial statements, according to the national accounting principles, of DH are provided.

It should be noted that the Company whose data is reported prepares the consolidated financial statements.

1.2 STATEMENT OF FINANCIAL POSITION OF THE ULTIMATE PARENT COMPANY THAT EXERCISES MANAGEMENT AND COORDINATION ACTIVITIES

	31/12/2019	31/12/2018
B) Assets		
I—Intangible assets		
1) start-up and expansion costs	21.779	29.039
3) patents and other related rights	36.780	
6) asset in progress		
7) other	8.000	
Total intangible assets	*66.559*	29.039
II—Tangible assets		
4) other goods	7.275	
Total tangible assets	*7.275*	
III—Financial assets		
1) Investments in:		
a) subsidiaries	1.012.826.791	1.012.526.191
Total investments	*1.012.826.791*	1.012.526.191
Other non current asset		
Total financial assets		
Total intangible, tangible and financial assets (B)	*1.012.900.625*	*1.012.555.230*
C) Working capital		
II—Receivables		
2) towards subsidiaries	9.361.674	
due within next financial year	9.361.674	
due beyond next financial year		
5-bis) tax receivables	732.555	21.000
due within next financial year	732.555	21.000
due beyond next financial year		
5-quater) oher receivables	472.581	
due within next financial year	472.581	
due beyond next financial year		
Total receivables	*10.566.810*	21.000
IV—Cash and cash equivalents		
1) bank and postal accounts	2.468.236	9.908.451
3) cash on hand	50	
Total cash and cash equivalents	*2.468.286*	*9.908.451*
Total working capital (C)	*13.035.096*	*9.929.451*
D) Prepayments and accruals	**8.903**	
Total assets	***1.025.944.624***	***1.022.484.681***

	31/12/2019	31/12/2018
A) Shareholders' Equity	**1.018.788.724**	**1.020.084.316**
I—Shareholders' Capital	5.152.321	5.152.321
II—Share premium reserve	1.015.361.862	1.015.361.862
VI—Other reserves		
Contributions for future capital increase	22.849	22.849
Other reserves	943.241	-1
Total other reserves	*966.090*	*22.848*
VIII—Retained earnings (losses)	-452.715	
IX—Result for the period	-2.238.834	-452.715
Total Shareholders' Equity	1.018.788.724	1.020.084.316
B) Provisions for risks and charges		
4) other	900.000	87.671
Total provisions for risks and charges	*900.000*	*87.671*
C) Severance indemnity for employees	**721**	
D) Liabilities		
7) trade payables	3.197.352	2.186.406
due within next financial year	3.197.352	2.186.406
due beyond next financial year		
9) liabilities towards subsidiaries	1.282.645	
due within next financial year	1.282.645	
due beyond next financial year		
12) tax payables	1.142.711	80.245
due within next financial year	1.142.711	80.245
due beyond next financial year		
13) liabilities towards social institutions	147.096	7
due within next financial year	147.096	7
due beyond next financial year		
14) other payables	484.627	46.027
due within next financial year	484.627	46.027
due beyond next financial year		
Total payables	*6.254.431*	*2.312.685*
E) Accrued liabilities and accrued revenue	**748**	**9**
Total Shareholders' Equity and Liabilities	***1.025.944.624***	*1.022.484.681*

	31/12/2019	31/12/2018
A) Revenue from sales and other income		
1) Revenue from contract with customers	4.046.932	
5) Other revenue		
Other	6.044.389	
Total other revenue	*6.044.389*	
Total revenue and other income	*10.091.321*	
B) Operating costs		
6) purchase of raw materials	3.545	30
7) for services	10.554.763	357.740
8) for leases	96.778	
9) personnel costs		
a) salary and wages	309.204	
b) social securities contributions	166.131	
c) employees' severance indemnity	20.427	
e) other costs	1.043.243	
Total personnel costs	*1.539.005*	
10) amortization, depreciation and impairment		
a) amortization of intangible assets	16.780	7.260
b) depreciation of tangible assets	544	
Total amortization, depreciation and impairment	*17.324*	*7.260*
13) other provisions		87.671
14) other costs and charges	20.704	25
Total operating costs	*12.232.119*	*452.726*
Earnings before interests and taxes (A - B)	**-2.140.798**	**-452.726**
C) Financial income and charges		
16) other financial income		
d) other financial income		
other	59	11
Total financial income and charges	*59*	*11*
Total financial income	*59*	*11*
17) interests and other finacial charges	—	—
17-bis) gains and losses on foreign exchange	-80	
Total gains and losses on foreign exchange (15+16-17+-17-bis)	*-21*	*11*
Earnings before taxes (A-B+-C+-D)	**-2.140.819**	**-452.715**
20) Taxes of the period and deferred taxes		
taxes for the period	110.000	
taxes relating to previous years	—	
income (charges) from joining the tax consolidation	11.985	
Total taxes for the period and deferred taxes	*98.015*	
21) Result (Loss) for the period	**-2.238.834**	**452.715**

1.3 SIGNIFICANT EVENTS OCCURRED DURING THE YEAR

On October 2020, the company, through the establishment of a new company, Design Holding Denmark Aps, a hub located in Denmark, with the aims to create in Copenhagen, one of the design capital of Europe, the activity of the prime D-Studios in order to collect the entire Brands in a singular format retail and soft contract.

2 ACCOUNTING POLICIES

The consolidated financial statements of the Group were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union

The consolidated financial statements were prepared according to the historical cost convention, except for the recognition of derivative financial instruments and of other financial assets, which are recognized at fair value. The carrying amount of the assets and liabilities subjected to fair value hedging and that would otherwise by recognized at the amortized cost, is adjusted to take into account variations in the fair value attributable to the hedged risks.

The consolidated financial statements are presented in euro and all values are expressed in thousands of euro, unless otherwise directed.

3 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of International Design Group S.p.A. and of its subsidiaries as of December 31, 2020.

Control is obtained when the Group is exposed or is entitled to variable returns, deriving from its relations with the investee entity and, at the same time, can affect such returns by exercising its power over that entity.

Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee entity (i.e., it owns valid rights that currently entitle it to manage the significant activities of the investee entity);
- exposure or rights to variable returns deriving from the relationships with the investee entity;
- the ability to exercise its own power on the investee entity to affect the amount of its returns.

When the Group holds less than the majority of the voting rights (or similar rights) it must consider all relevant facts and circumstances to establish whether it controls the investee entity, including:

- Contractual agreements with other holders of voting rights;
- Rights deriving from contractual agreements;
- Voting rights and potential voting rights of the Group.

The Group reconsiders whether or not it has control of an investee if the facts and circumstances indicate that changes have occurred in one or more of the three elements with relevance for the purposes of the definition of control. The consolidation of a subsidiary starts when the Group obtains control thereof and ceases when the Group loses control. The assets, liabilities, revenues and costs of the subsidiary acquired or sold during the year are included in the statement of comprehensive income from the date on which the Group obtains control until the date on which the Group no longer exercises control of the company.

The profit/(loss) for the year and each of the other comprehensive income are attributed to the shareholders of the parent company and to minority interests, even if this implies that minority interests have a negative balance. When necessary, the appropriate adjustments are made to the financial statements of the subsidiaries, to assure compliance with the group's accounting policies. All assets and liabilities, the shareholders' equity, the revenues, costs and intercompany cash flows relating to transactions between group entities are fully eliminated in the consolidation phase.

Changes in the shareholdings in a subsidiary that do not entail a loss of control are recognized in the shareholders' equity.

If the Group loses control of a subsidiary, it must eliminate the related assets (including goodwill), liabilities, minority interests and the other shareholders' equity components, while any profit or loss is recognised in the income statement. Any retained shareholder shall be recognized at fair value.

Specifically, the companies of the IDG Group included in the scope of consolidation at December 31, 2020 are as follows:

Name of shareholding	Currency	Share capital as at December 31, 2020	Shareholding as at December 31, 2020
Design Holding Denmark	DKK	40.000	100%
Luminous Design Investment ApS*	DKK	1.260.101	100%
Louis Poulsen Sweden AB	SEK	600.000	100%
Louis Poulsen Norge AS	NOK	1.500.000	100%
Louis Poulsen Finland OY	EUR	100.000	100%
Louis Poulsen UK Ltd.	GBP	100.000	100%
Louis Poulsen German GmbH	EUR	1.122.583	100%
Louis Poulsen US Inc.	USD	1.000	100%
Louis Poulsen Holland B.V	EUR	300.001	100%
Louis Poulsen Japan Ltd.	JPY	38.500.000	100%
Louis Poulsen Switzerland AG	CHF	500.000	100%
Louis Poulsen Asia Ltd.	EUR	2.459	100%
Flos S.p.A.**	EUR	1.875.000	100%
Antares Iluminacion S.A.U.	EUR	401.000	100%
Flos Illuminacion Shanghai Co. Ltd	CNY	4.000.000	100%
Antares Iluminacion Pte Ltd	SGD	100	100%
Ares S.r.l.	EUR	78.000	100%
Flos Benelux NV	EUR	100.000	100%
Flos B.V.	EUR	931.000	100%
Flos GmbH	EUR	300.000	100%
Flos Japan Co. Ltd	JPY	40.000.000	100%
Flos Bespoke S.r.l***.	EUR	13.000	100%
Flos Norge AS	NOK	1.500.000	55%
Flos France S.a.s	EUR	61.000	100%
Flos Scandinavia A/S	DKK	1.429.000	65%
Flos Sverige AB	SEK	100.000	65%
Flos Usa Inc.	USD	390.000	100%
Flos UK Ltd	GBP	136.000	100%
B&B Italia S.p.A.	EUR	1.000.000	100%
B&B Italia Usa Inc.—New York	USD	10.000	100%
B&B Italia Munchen Gmbh—Monaco	EUR	150.000	100%
B&B London LTD	GBP	500.000	100%
B&B Asia Pacific Limited	USD	1.000	100%
B&B Contract France Sas	EUR	30.000	100%
B&B Italia Paris Sarl	EUR	50.000	100%
Arclinea Spa	EUR	240.000	100%
B&B Furniture (Shanghai) Co., Ltd	CNY	1.000	100%

* Note 1: Luminous Design Denmark ApS is merged into Luminous Design Investment ApS at 01.01.2020

** Note 2: Flos Milano S.r.l. closed following merger in Flos spa at 01.07.2020 (accounting and fiscal effect from 01.01.2020). Flos Roma S.r.l closed following merger in Flos spa at 01.07.2020 (accounting and fiscal effect from 01.01.2020)

*** Note 3: Euroformat S.r.l. was merged in Flos Bespoke as at 01.10.2020 (accounting and fiscal effect from 01.01.2020).

**** Note 4: B&B Italia Contract Projects Srl was closed by liquidation.

***** Note 5: Louis Poulsen Italy Sarl was closed by liquidation at 29.12.2020

4 SUMMARY OF THE MAIN ACCOUNTING POLICIES

4.1 ACCOUNTING POLICIES, CHANGES I N ACCOUNTING ESTIMATES AND ERRORS

Group revised the classification of expenses related to members of the board of directors not employees including these expenses in the caption “personnel costs”. As a consequence, figures as at December 31, 2019 has been reclassified reducing by Euro 1.371 thousand, services costs and increasing for the same amount personnel costs.

4.2 BUSINESS COMBINATIONS AND GOODWILL

Business combinations are recognized using the acquisition method. The cost of an acquisition is determined as the sum of the transferred price, measured at fair value as at the acquisition date, and of the amount of the minority interest in the acquired entity. For each business combination, the Group defines whether to measure the minority interest in the acquired entity at fair value or proportionally to the minority interest in the identifiable net assets of the acquired entity. The acquisition cost are expensed in the year and classified among administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it classifies or designates the financial assets acquired or the liabilities assumed in accordance with the contractual terms, the economic conditions and the other pertinent conditions existing at the date of acquisition. This includes the check to determine whether an embedded derivative has to be separated from the primary contract.

Any contingent consideration to be paid is recognized by the acquirer at fair value at the date of acquisition. The contingent consideration classified as equity is not subject to remeasurement and its subsequent payment is recognized with the shareholders’ equity. The change in the fair value of the contingent consideration classified as asset or liability, as a financial instrument that is in the subject of IFRS 9 Financial Instruments, shall be recognised in the income statement in accordance with IFRS 9. The contingent consideration that is not included in the scope of IFRS 9 is measured at fair value at the date of the financial statements and fair value variations are recognised in the income statement.

Goodwill is initially measured at cost represented by the excess of the aggregate consideration consisting and the amount recorded for minority interests with respect to the identifiable net assets acquired and the liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the aggregate consideration, the Group verifies again whether it correctly identified all acquired assets and all assumed liabilities and it reviews the procedures used to determine the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of the net assets acquired than the aggregate consideration, then the difference (gain) is recognized in the income statement.

After the initial recognition, goodwill is measured at the cost net of accumulated impairment losses. For the purpose of the impairment test, the goodwill acquired in a business combination is allocated, from the date of acquisition, to each cash-generating unit of the Group expected to benefit from the synergies of the aggregation, regardless of whether other assets or liabilities of the acquired entity are assigned to these units.

If goodwill was allocated to a cash-generating unit and the entity disposes of some of the operation within this unit, the goodwill associated with the disposed operation is included in the carrying amount of the operation when the gain or the loss of the disposal is determined. The goodwill associated with the disposed asset is determined on the basis of the relative values of the disposed asset and of the retained part of the cash-generating unit.

4.3 CURRENT/NON-CURRENT CLASSIFICATION

The assets and liabilities in the financial statements of the Group are classified according to the current/non-current criterion.

An asset is current when:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified either as non-current and current.

A liability is current when:

- it is expected to be extinguished in its normal operating cycle;
- it is held mainly for the purpose of trading;
- it must be extinguished within twelve months from the closing date of the year; or
- the entity does not have an unconditional right to defer payment of the liability for at least twelve months from the closing date of the year.

The Group classifies all other liabilities as non-current.

Assets and liabilities for deferred tax assets and liabilities are classified among non-current assets and liabilities.

4.4 TRANSLATION OF FINANCIAL STATEMENTS EXPRESSED IN A DIFFERENT CURRENCY FROM THE FUNCTIONAL CURRENCY

The rules for the translation of the financial statements of the subsidiaries expressed in currencies other the Euro, are as follows:

- assets and liabilities are converted using the exchange rates prevailing at the reference date of the consolidated financial statements (December 31);
- costs and revenues are converted at the average exchange rate of the period;
- the translation reserve includes both the exchange differences generated by the conversion of the amounts at a different rate from the closing rate and those generated by the translation of the opening shareholders' equity amounts at a different exchange rate from the one prevailing on the closing date of the reporting period;
- upon disposal of a foreign operation, the component of OCI (translation reserve) relating to that particular foreign operation is reclassified to profit or loss;
- the goodwill and adjustments deriving from fair value related to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate prevailing on the closing date of the period.

The exchange rates applied in the conversion of the asset and liability balances in currencies other than the Euro at December 31, 2020 and the average rates of the period from January 1, 2020—December 31, 2020 are as follows:

		December 31, 2020	
		Exchange rate at the end of the year	Average exchange rate
SEK	Sweden	10,0343	10,4848
NOK	Norway	10,4703	10,7228
GBP	United Kingdom	0,89903	0,88970
USD	US Dollar	1,2271	1,1422
JPY	Japan	126,4900	121,8458
CHF	Switzerland	1,0802	1,0705
HK$	Hong Kong Dollar	9,5142	8,8587
CNY	Renminbi (Yuan)	8,0225	7,8747
DKK	Denmark	7,4409	7,4542
SGD	Singapore	1,6218	1,5742

4.5 FAIR VALUE MEASUREMENT

The Group measures certain financial assets at fair value at each reporting date.

The fair value is the price that would be collected for the sale of an asset, or that would be paid for the transfer of a liability, in a regular transaction between market operators at the measurement date.

A measurement of the fair value supposes that the sale of the asset or the transfer of the liability takes place:

a) in the main market of the asset or liability; or

b) in the absence of a main market, in the most advantageous market for the asset or liability.

The main market or the most advantageous market must be accessible for the Group.

The fair value of an asset or liability is measured adopting the assumptions that market operators would use in determining the price of the asset or liability, presuming that they act to best satisfy their own economic interest.

A measurement of the fair value of a non-financial asset considers the capability of a market operator to generate economic benefits employing the asset it its maximum and best use or selling it to another market operator who would employ it in its maximum and best use.

The Group uses measurement techniques that are suitable for the circumstances and for which there are sufficient available to measure fair value, maximizing the use of significant observable inputs and minimizing the use of non-observable inputs.

All assets and liabilities for which the fair value is assessed or exposed in the financial statements are categorized according to the fair value hierarchy, as described below:

- Level 1—The (unadjusted) listed prices in active markets for identical assets or liabilities which the entity can access at the measurement date;
- Level 2—Inputs other than the listed prices included in Level 1, observable directly or indirectly for the assets or for the liability;
- Level 3—Measurement techniques for which the input data are not observable for the asset or for the liability.

The fair value measurement is entirely classified in the same level of the fair value hierarchy in which the lowest input in the hierarchy used for the measurement is classified.

For the assets and liabilities recognised in the financial statements on a recurring basis, the Group determines whether there have been any transfers between the levels of the hierarchy revising the categorization (based on the lowest level input, that is significant for the purposes of the fair value measurement as a whole) at each reporting date.

For the purposes of the information about fair value, the Group determines the classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or of the liability and the level of the fair value hierarchy as illustrated above.

4.6 REVENUE RECOGNITION

Revenue from contracts with customers is recognized when control of the goods and services is transferred to the customer for an amount that reflects the price the Group expects to receive in exchange for such goods or services.

Revenue is measured at the fair value of the price received or to be received, taking into account the contractually defined payment terms and excluding taxes and duties. The Group concluded that it is operating on its own behalf in all sales contracts inasmuch as it is the primary debtor, it has discretionality on the price policy and it is also exposed to inventory and credit risk.

4.6.1 SALE OF GOODS

The revenue from the sale of goods is recognized at a point in time when the company has transferred the control of the goods and services, generally on the date of delivery of the goods.

The revenue is measured at the fair value of the consideration received or to be received, net of returns and rebates, commercial discounts and volume reductions. Subsidiaries provide a two-year warranty on repair, in line with industry practice. Customers are not provided with additional guarantees and maintenance contracts.

4.6.2 DIVIDENDS

Dividends are recognized when the right to receive payment is established, which generally corresponds to the time when the Shareholders' Meeting approves their distribution.

4.6.3 RENTAL REVENUES

Rents deriving from property investments are recognized on a straight-line basis over the duration of the existing lease contracts at the balance sheet date and are classified as revenues, taking into account their operational nature.

4.7 INCOME TAXES

4.7.1 CURRENT TAXES

Current taxes of the year are measured for the amount expected to be recovered from or to be paid to the tax authorities. The rates and the tax regulations used to calculate the amount are those promulgated, or substantially in force, at the reporting date in the countries where the Group operates and generates its own taxable income.

Current taxes relating to items recognized directly in the shareholders' equity are also recognized in the shareholders' equity and not in the statement of the profit/(loss) for the period. The Management periodically assesses the position assumed in the income tax return in the cases in which the tax rules are subject to interpretation and, when appropriate, it allocates provisions. Please refers to note 37 "Income taxes"

4.7.2 DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes are calculated applying the "liability method" to temporary differences at the date of the financial statements between the tax values of the assets and liabilities and the corresponding financial statement values.

Deferred tax liabilities are recognised on all taxable temporary differences, with the following exceptions:

- deferred tax liabilities derive from the initial recognition of the goodwill of an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction itself, influences neither the result of the financial statements nor the result for tax purposes;
- the reversal of taxable temporary differences, associated with equity investments in subsidiaries, associates and joint venture, can be controlled, and it is probable that it will not occur in the foreseeable future.

Deferred tax assets are recognised in view of all deductible temporary differences, of receivables and of unused tax losses that can be carried forward, to the extent to which it is probable that sufficient future taxable income will be available, which will allow utilisation of deductible temporary differences and of receivables and tax losses carried forward, excepting the cases in which:

- the deferred tax asset connected with deductible temporary differences derive from the initial recognition of an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction itself, influences neither the result of the financial statements nor the result for tax purposes;
- in the case of deductible temporary differences associated with equity investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent to which it is probable that they will be reversed in the foreseeable future and that there will be sufficient taxable income that allows to recover these temporary differences.

The carrying amount of deferred tax assets is re-examined at each reporting date and reduced to the extent to which it is no longer probable that in the future there will be sufficient taxable income to allow the receivable to be used in full or in part. Unrecognised deferred tax assets are re-examined at each reporting date and are recognised to the extent to which it becomes probable that taxable income will be sufficient to allow these taxes to be recovered.

Deferred tax assets and liabilities are measured on the basis of the tax rate expected to be applied during the year in which these assets will be realised or these liabilities will be extinguished, considering the rates in force and the ones already promulgated, or substantially in force, on the date of the financial statements.

Deferred taxes relating to elements recognised outside the income statement are also recognised outside the income statement and, hence, in the shareholders' equity or in the statement of comprehensive income, consistently with the element to which they refer.

Deferred tax assets and deferred tax liabilities are offset if there is a legal right that allows to offset current tax receivables and current tax payables, and the deferred taxes refer to the same taxpayer and to the same tax authority.

4.7.3 INDIRECT TAXES

Expenses, revenues, assets and liabilities are recognised net of indirect taxes, such as the value added tax, with the following exceptions:

- the tax applied to the purchase of goods or services is not deductible; in this case it is recognised as a part of the purchase cost of the asset or part of the cost recognised in the income statement;
- trade receivables and payables include the applicable indirect tax.

The net amount of the indirect taxes to be recovered or to be paid to the Tax Authorities is included in the financial statements among receivables or among payables.

4.8 ASSETS HELD FOR DISPOSAL

The Group classifies non-current assets as held for sale/disposal if their carrying amount will be recovered mainly with a sale transaction instead of through their continuous use. These non-current assets classified as held for sale are measured at the lower between the carrying amount and their fair value net of selling costs. Selling costs are additional costs directly attributable to the sale, excluding financial costs and taxes.

The condition for classification as held for sale is considered to be met only when the sale is highly probable and the asset for disposal is available for immediate sale in its current conditions. The actions required to complete the sale should indicate that it is improbable that there may be significant changes in the sale or that the sale may be cancelled. The Management must be committed to the sale, whose completion should be expected within one year from the date of classification.

The assets and the liabilities classified as held for sale are presented separately among the current items in the financial statements.

An asset for disposal qualifies as a discontinued operation if it is part of an entity that was disposed or is classified as held for sale, and:

- it represents an important autonomous business unit or geographic business area,
- it is part of a single coordinated plan for the disposal of an important business unit or geographic business area,
- it is a subsidiary acquired exclusively in view of a resale.

Additional information about the assets for disposal is provided in the Note "Assets held for disposal". All the other notes to the financial statement include amounts relating to operating assets, unless otherwise indicated.

4.9 PROPERTY, PLANT AND EQUIPMENT

Property, plant and machinery are measured at the cost of purchase or of production, net of the accumulated depreciation and of any accumulated impairment losses. The cost includes ever expense directly incurred to prepare the assets for their use, as well as any disposal and removal expenses that will be incurred consequently to contractual obligations that required bringing the asset back to the original conditions. Any interest expenses incurred for the acquisition, production or construction of the property, plant and machinery are capitalised on the value of the related asset until it is available for use.

The expenses incurred for ordinary and/or cyclical maintenance and repairs are charged directly to the income statement in the year incurred. The capitalisation of costs inherent to the expansion, modernization or improvement of the structural elements owned or used by third parties is made solely to the extent that they meet the conditions for being classified separately as an asset or part of an asset under the component approach method. Similarly, the replacement costs of the identifiable components of complex assets are recognised among the assets and amortised according to their estimated useful life; the residual carrying amount of the replaced component is recognised in the income statement.

The annual depreciation rates, representative of the estimated useful life for categories of tangible assets, are the follows:

	DEPRECIATION RATE
Land and buildings:	
Buildings	3%
Commercial properties	10%
Light construction	10%
Plant and machinery:	
Automatic operating machines	15.5% – 20%
Generic specific and special plants	10% – 15% – 30%
Industrial & commercial equipment	
Moulds and equipment	25%
Furniture for stores and events	12%
Other assets:	
Furniture and fixtures for offices	12% – 20%
Electronic office machines	20%
Vehicles and internal transport means	20%
Motor cars	20% – 25%

We point out that no changes have occurred in respect of the depreciation rates of previous year. The useful life of the tangible assets and the residual value are revised and updated, when applicable, at the closing of each year.

When the depreciable asset is composed of distinctly identifiable elements, the useful life of which differs significantly from that of the other parts which compose the asset, depreciation is taken separately for each of the parts which make up the asset under the "component approach" principle.

The profits and losses deriving from sales or disposals of assets are determined as the difference between the sale revenue and the net book value of the disposed or sold asset and are charged to the income statement of the year of accrual.

Improvements to third-party assets are classified in tangible assets, consistently with the nature of the cost incurred. The depreciation period corresponds to the lower between the residual useful life of the tangible asset and the residual duration of the lease agreement.

Land is not depreciated.

4.9.1 LEASING

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and Buildings 2 to 24 years
- Plant and machinery 2 to 8 years
- Industrial and commercial equipment 2 to 5 years
- Other Assets 2 to 5 years

The item "Land and Buildings" mainly include the lease contracts for the showrooms directly managed by B&B and Flos.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Interest-bearing loans and borrowings (see Notes 11—23).

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4.10 OTHER INTANGIBLE ASSETS

Other intangible assets acquired separately are initially recognised at cost, whereas those acquired through business combinations are recognised at fair value at the date of purchase.

After the initial recognition, intangible assets are recognised at cost net of accumulated amortisation and of any accumulated impairment losses. Intangible assets produced internally, except for the development costs, are not capitalised and are recognised in the income statement of the year in which they were incurred.

The useful life of intangible assets is assessed as finite or indefinite.

Intangible assets with finite useful life are amortised throughout their useful life and they are subjected to impairment test every time there are indications of a possible impairment loss. The amortisation period and the amortisation method of an intangible asset with definite useful life is reconsidered at least at the end of each year. Changes in the expected useful life or in the ways with which future economic benefits tied to the asset will be realised are recognised through the change of the period or of the amortisation method, depending on the case, and they are considered changes in accounting estimates. The amortisation rates of intangible assets with definite useful life are recognised in the statement of profit/(loss) for the year in the cost category consistent with the function of the intangible asset.

Intangible assets with indefinite useful life are not amortised, but are annually subjected to impairment test, both at the individual level and at the level of cash generating unit. The assessment of the indefinite useful life is revised annually to determine whether this attribution continuous to be sustainable, otherwise, the change from indefinite useful life to defined useful life is applied prospectively.

The gains or losses deriving from the elimination of an intangible asset are measured from the difference between the net revenue of the disposal and the carrying amount of the intangible asset and are recognised in the profit/(loss) of the year in the year when the derecognition takes place.

4.10.1 RESEARCH AND DEVELOPMENT COSTS

Research costs are allocated in the income statement of the year in which they are incurred. The development costs incurred in relation to a determined project are recognised as intangible assets when the Group is able to demonstrate:

- the technical possibility of completing the intangible asset, so that it is available for use or sale;
- the intention to complete the asset and the Group's ability to use it or sell it;
- the ways in which the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the ability to reliably asset the cost attributable to the asset during development;
- the ability to use the intangible asset generated.

After the initial recognition, development assets are measured at cost minus amortisation or accumulated impairment losses. The amortisation of the asset starts when development is completed and the asset is available for use. Development activities are amortised with reference to the period of the expected benefits and the related amortisation rates are included in the cost of goods sold.

During the development period the asset is subjected to annual impairment test.

4.10.2 TRADEMARKS, LICENCES AND SIMILAR RIGHTS

Amortisation of Licences is calculated with linear method so as to allocate the cost incurred for the acquisition of the right along the shorter period from the expected utilisation period and the duration of the related agreement starting from the time when the acquired right becomes exercisable. Software licences are amortised with linear method on the period deemed representative of the related useful life, i.e. 5 years.

The amortisation rates of the intangible assets are summarised below.

	DEPRECIATION RATE
Development costs	20% – 33%
Patent rights and intellectual property	20% – 33%
Software Licenses	20%
Trademark registration	10%

4.10.3 TRADEMARK

The brands included in the consolidated balance sheet, present in the balance sheets of the groups of which IDG gained control through the extraordinary transaction that took place in 2018, are represented mainly by the brands "FLOS", "B&B", Maxalto", "Arclinea" and "Louis Poulsen".

Brands have been granted indefinite useful life (and, therefore, it is not subject to the depreciation process), as:

- play a priority role in the Group's strategy and are a primary value driver;
- the company structure, in its concept of organized material goods and organization itself in a broad sense, is strongly related and dependent on the diffusion and development of brands on the markets;
- Trademarks are owned and are correctly registered and constantly protected from a regulatory point of view, with options for renewing legal protection when registration periods expire;
- the products marketed by the Group under these brands are not subject to particular technological obsolescence, as is also characteristic for the "luxury" market in which the Group operates, and indeed, are perceived by the market as constantly innovative and trendy, so as to become models to imitate or to be inspired;
- the brand is characterized, in the national and/or international context, by a market positioning and notoriety that ensures its pre-eminence in the respective market segments being constantly associated and compared to the brands of absolute reference.

As of December 31, 2020, it was considered appropriate to subject the brand to a separate impairment test in order to verify the consistency of the values entered in the budget, with the criteria described below.

4.11 FINANCIAL ASSETS

A financial instrument is any contract originating a financial asset for an entity and a financial liability or an equity instrument for another entity.

i) Financial assets

Initial recognition and measurement

At the time of initial recognition, financial assets are classified, according to the case, on the basis of the subsequent measurement procedures, i.e. at amortised cost, at fair value recognised in other comprehensive income OCI and at the fair value recognised in the income statement.

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 used by the Group for their management. Except for trade receivables that do not contain a significant financing component or for which the Group applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value recognised in the income statement, the transaction costs. Trade receivables that do not contain a significant financing component or for which the Group applied the practical expedient are measured at the price of the transaction determined according to IFRS 15. Please refer to the paragraph of the accounting principles (e) Revenue from contracts with customers.

For a financial asset to be classified and measured at amortized cost or at fair value in OCI, where to generate cash flows that depend solely on the principal and interest on the amount of the principal to be repaid ('solely payments of principal and interest (SPPI)'). This assessment is indicated as SPPI test and it is carried out at the instrument level.

The Group's business model for the management of financial assets refers to the way in which it manages its own financial assets to generate cash flows. The corporate model determines whether the cash flows will derive from the collection of contractual cash flows, from the sale of financial assets or from both.

The purchase or the sale of a financial asset that requires its delivery within a time interval generally established by regulation or market convention (standardized or regular way trade) is recognised at the trade date, i.e. the date on which the Group committed to purchase or sell the asset.

Subsequpent measurement

For the purposes of the subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value recognised in the statement of comprehensive income with reclassification of earnings and accumulated losses (debt instruments);
- Financial assets at fair value recognised in the statement of comprehensive income without reversal of earnings and accumulated losses at the time of elimination (equity instruments);
- Financial assets at fair value recognised in the income statement.

Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following requirements are met:

- the financial asset is held within the scope of a business model whose objective is possession of financial assets directed at the collection of contractual cash flows and
- the contractual terms of the financial asset provide at determined dates cash flows represented solely by payments of the principal and of the interest on the amount of the principal to be repaid.

Financial assets at amortized cost are subsequently measured using the effective interest criterion and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or revalued.

Financial assets at fair value recognised in the OCI (debt instruments)

The Group measures debt instrument assets at fair value recognised in the statement of comprehensive income if both of the following conditions are met:

- the financial asset is held within the scope of a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of the financial assets and
- the contractual terms of the financial asset provide at determined dates cash flows represented solely by payments of the principal and interest determined on the amount of the principal to be repaid.

For assets from debt instruments measured at fair value recognised in OCI, the interest income, the changes due to exchange differences and the impairment losses, together with write-backs, are recognised in the income statement and they are calculated in the same way as the financial assets measured at amortized cost. The remaining changes in fair value are recognised in OCI. At the time of derecognition, the cumulative change in fair value recognised in OCI is reclassified in the income statement.

Assets from debt instruments of the Group measured at fair value recognised in OCI comprise the investments in listed debt instruments included in the other non-current financial assets.

Investments in equity instruments

Upon initial recognition, the Group may irrevocably opt to classify its own equity related investments as equity instruments recognised at fair value recognised in OCI when they meet the definition of equity instruments in accordance with IAS 32 "Financial instruments: Presentation" and are not held for trading. The classification is determined for each individual instrument.

The gains and losses achieved on these financial assets are never recognised in the income statement. Dividends are recognised as other revenue in the income statement when the right to payment was resolved, except when the Group benefits from this income as a recovery of part of the cost of the financial asset, in which case these gains are recognised in OCI. Equity investments recognised at fair value in OCI are not subjected to impairment testing.

The Group opted to classify its own unlisted equity investments in this category.

Financial assets at fair value recognised in the income statement.

This category comprises assets held for trading, assets designated upon first recognition as financial assets at fair values with changes recognised in the income statement, or the financial assets that must mandatorily be measured at fair value. Assets held for trading are all assets acquired for their sale or their repurchase in the short term. Derivatives, including non-embedded ones, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments. Financial assets with cash flows not represented solely by payments of principal and interest are classified and measured at fair value recognised in the income statement, regardless of the business model. In spite of the criteria for debt instruments to be classified at amortized cost or at fair value recognised in OCI, as described above, debt instruments can be recorded at fair value recognised in the income statement at the time of initial recognition if this entail the derecognition or the significant reduction of an accounting misalignment.

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 recognised in the statement of profit/(loss) for the year.

This category includes the derivative instruments and the listed equity investments the Group has not chosen to classify at fair value recognised in OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit/(loss) for the year when the right to the payment has been established. The embedded derivative contained in a hybrid non-derivative contract, in a financial liability or in a non-financial main contract, is separated from the main contract and accounted for as a separate derivative, if: its economic characteristics and the risks associated therewith are not closely related to those of the main contract; a separate instrument with the same terms as the embedded derivative would satisfy the definition as a derivative; and the hybrid contract is not measured at fair value recognised in the income statement. Embedded derivatives are measured at fair value, with changes in fair value recognised in the income statement. A redetermination takes place only if there is a change in the terms of the contract that significantly changes the cash flows otherwise expected or a reclassification of a financial asset to a different category from fair value in the income statement.

An embedded derivative included in a hybrid contract that contains a financial asset is not separated from the host contract. The financial asset together with the embedded derivative is classified internally as a financial asset at fair value recognised in the income statement.

Write-off

A financial asset (or, when applicable, part of a financial asset or part of a group of similar financial assets) is written off in the first place (e.g., removed from the statement of financial position of the Group) when:

- the rights to receive the cash flows from the assets are extinguished, or
- the Group transferred to a third party the right to receive cash flows from the asset or assumed the contractual obligation to pay them in full and without delay and (a) transferred substantially all risks and benefits of the ownership of the financial asset, or (b) did not transfer or retained substantially all the risks and benefits of the asset, but it transferred control thereof.

If the Group transferred the rights to receive cash flows from an asset or executed an agreement whereby it maintains the contractual rights to receive the cash flows of the financial asset, but it assumes a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), it assesses whether and to which extent it maintained the risks and the benefits inherent to possession. If it did not transfer or retained substantially all risks and benefits or it did not lose control thereon, the asset continues to be recognised in the financial statements of the Group to the extent of its residual involvement in the asset. In this case, the Group also recognises an associated liability. The transferred asset and the associated liabilities are measured so as to reflect the rights and the obligations that remain the Group's.
When the residual involvement of the entity is a guarantee on the transferred asset, the involvement is measured on the basis of the lesser between the amount of the asset and the maximum amount of the consider received which the entity may have to repay.

Impairment of financial assets

Additional information about the impairment of financial losses is also provided in the note "Discretionary assessments and significant accounting estimates".

The Group records an impairment for expected losses (expected credit loss, 'ECL') for all financial assets represented by debt instruments not held at fair value recognised in the income statement. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows the Group expects to receive, discounted at an approximation of the original effective interest rate. The cash flows will include the cash flows deriving from the enforcement of the collateral held or of other guarantees on the receivable which are integral parts of the contractual conditions.

The expected losses are recognised in two steps. In relation to the credit exposures for which there was not significant increase of the credit risk from the initial recognition, it is necessary to recognise the losses on receivables that derive from the estimation of default events that are possible within the subsequent 12 months (12-month ECL). For the credit exposures for which there was a significant increase of the credit risk from initial recognition, it is necessary to fully recognise the expected losses that refer to the residual duration of the exposure, regardless of the time when the default event is forecast to occur ("Lifetime ECL").

For trade receivables and assets deriving from contracts, the Group applies a simplified approach in the calculation of the expected losses. Therefore, the Group does not monitor changes to the credit risk, but it fully recognises the expected loss at each reference date. The Group defined a matrix system based on historical information, revised to consider prospective elements with reference to the specific types of debtors and their economic environment, as an instrument for determining the expected losses.

For assets represented by debt instruments measured at fair value recognised in OCI, the Group applies the simplified approach allowed for assets with low credit risk. At each reference date of the financial statements, the Group assesses whether the debt instrument has a low credit risk using all the available information that can be obtained without excessive costs or efforts. In carrying out the assessment, the Group monitors the credit rating of the debt instrument.

The financial assets represented by debt instruments held by the Group measured at fair value recognised in OCI comprise exclusively listed bonds classified in the best categories of credit rating and, hence, they are considered investments with low credit risk. The Group's policy is to measure the expected losses in the subsequent 12 months on these instruments on an annual basis. However, when a significant increase of the credit risk occurred, the Group fully recognises the expected losses that refer to the residual duration of the exposure.

The Group considers a financial asset to be in default when the contractual payments have been past due for 90 days. In some cases, the Group can also consider that a financial asset is in default when internal or external information indicate that it is improbable that the Group will fully recover the contractual amounts before considering the guarantees on the credit held by the Group. A financial asset is written off when there is no reasonable expectation of recovery of the contractual cash flows.

4.12 FINANCIAL LIABILITIES

Recognition and initial measurement

Financial liabilities are classified, at the time of the initial recognition, among financial liabilities at fair value recognised in the income statement, among mortgages and loans, or among derivatives designated as hedging instruments.

All financial liabilities are initially recognised at fair value to which are added, in the cases of mortgages, loans and payables, the transaction costs directly attributable thereto.

The financial liabilities of the Group comprise trade payables and other payables, mortgages and loans, including current account overdrafts and derivative financial instruments.

Subsequent measurement

The assessment of financial liabilities depends on their classification, as described above:

Financial liabilities at fair value recognised in the income statement

Financial liabilities recognised at fair value with changes recognised in the income statement comprise liabilities held for trading and financial liabilities initially recognised at fair value with changes recognised in the income statement.

Liabilities held for trading are all those assumed with the intention of extinguishing them or transferring them in the short term. This category also includes the derivative financial instruments entered into by the Group which are not designated as hedging instruments in a hedging relationship defined by IFRS 9. Embedded derivatives, separated from the main contract, are classified as financial instruments held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit/(loss) for the year.

Financial liabilities are designated at fair value with changes recognised in the income statement from the date of initial recognition, only if the criteria of IFRS 9 are met. At the time of the initial recognition, the Group did not designate financial liabilities at fair value with changes recognised in the income statement.

Loans and receivables

This category is the most significant for the Group. After the initial recognition, loans are measured with the amortized cost criterion using the effective interest rate method. Gains and losses are recognised in the income statement when the liability is extinguished, as well as through the amortization process.

The amortized cost is calculated noting the discount or the bonus on the acquisition and the fees or costs that are an integral part of the effective interest rate. Amortization at the effective interest rate is included among financial expenses in the statement of profit/(loss). This category generally includes interest-bearing receivables and loans.

Write-off

A financial liability is written off when the obligation underlying the liability is extinguished, voided or fulfilled. If an existing financial liability is replaced by another one of the same lender, at substantially different conditions, or the conditions of an existing liability are substantially amended, this exchange or amendment is treated as an accounting write-off the original liability, accompanied by the recognition of a new liability, with recognition in the statement of profit/(liability) of the year of any differences between the carrying amounts.

Offsetting of financial instruments

A financial asset and liability can be offset and the net balance exposed in the statement of financial position, if there is a current legal right to offset the amounts recognised in the financial accounts and there is the intention of extinguishing the net residue, or realising the asset and concurrently extinguishing the liability.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as: forward foreign exchange contracts, interest rate swaps and forward commodity acquisition contracts to cover respectively, its own currency exchange rate risks, the interest rate risks and the commodity price risks. These derivative financial instruments are initially recognised at fair value at the date on which the derivative contract is entered into and, subsequently, they are again measured at fair value. Derivatives are recorded as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For hedge accounting purposes, there are three types of hedges:

- fair value hedging in case of hedge of the exposure against changes of the fair value of the asset or liability recognised or unrecorded irrevocable commitment;
- cash flow hedging in case of hedge of the exposure against the variability of the cash flows attributable to a particular risk associated with all assets or liabilities recognised or to a highly probable planned transaction or the foreign currency risk on unrecorded irrevocable commitment;
- hedge of a net investment in a foreign management.

4.13 INVENTORIES

Inventories are measured at the lower amount between the cost and the value of presumable net realisation.

The costs incurred to bring each good to the current place and conditions are recognised as follows:

- the cost of inventories is based on the weighted average cost method, with the exception of the LP Group that measures inventories with the FIFO criterion;
- the cost of production is determined including all costs directly attributable to the products, general production costs, defined on the basis of the normal production capacity, excluding the financial expenses.

The LP method does not generate significant differences with respect to the weighted average cost method. For the part of inventory deemed no longer usable economically, or with an assumed realisation value that is lower than the cost recognised in the financial statements, a dedicated write-down provision is allocated.

4.14 IMPAIRMENT OF NON-FINANCIAL ASSETS

At every reporting date, the Group assesses the existence of any indicators of asset impairment losses. In this case, or in cases requiring an annual impairment test, the Group estimates the recoverable value. The recoverable value is the higher amount between the fair value of the asset or cash-generating unit, net of selling costs, and its value in use. The recoverable value is determined by individual asset, except when the asset generates cash flows that are not broadly independent of those generated by other assets or groups of assets. If the carrying amount of an asset is greater than its recoverable value, the asset has undergone an impairment and it is consequently written down to its recoverable value.

In calculating the value in use, the Group discounts estimated future cash flows to present value using a discount rate before taxes, which reflects current market assessments of the time value of money and the risks specific to the asset. In calculating fair value net of selling costs, recent transactions carried out on the market are taken into account. If these transactions cannot be identified, an adequate valuation model is used. These calculations are supported by appropriate valuation multipliers, prices of listed equities for investees whose securities are traded on the market, and other available fair value indicators.

The Group bases its impairment test on detailed budgets and forecast calculations, prepared separately for each cash-generating unit of the Group to which individual assets are allocated. These budges and forecast calculations generally cover a period of seven years, of which five characterized by an analytical plan development and the next two years by an analytical construction provision based on a g-rate year by year.

This chose to aim to represent the entire actions carried out by the companies' managements.

In case of longer periods, a long-term growth rate is calculated, which is used to project future cash flows beyond the fifth year.

For acquisitions occurred in proximity to the end of the year, the group could determine the recoverable value calculating the fair value of the asset to be evaluated.

Impairment losses of operating assets, including the impairment losses of inventories, are recognised in the statement of profit/(loss) for the year in the cost categories consistent with the destination of the asset that underwent the impairment loss. Fixed assets previously revalued are an exception, if the revaluation was recognised among the other comprehensive income. In these cases, the impairment loss is in turn recognised among the other comprehensive income up to the previous revaluation.

For assets other than goodwill, at each reporting date the Group assesses the existence of any indications that the previously recognised impairment losses no longer apply (or were reduced) and, if there are such indications, it estimates the recoverable value of the asset or of the CGU.

The value of an asset that was previously written down may be restored only if there were changes in the assumptions on which the calculation of the determined recoverable value was based, subsequent to the recognition of the last impairment loss. The write-back may not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised in previous years. The write-back is recognised in the statement of profit/(loss) for the year unless the asset is recognised at the written-back value, in which case the write-back is treated as a revaluation increase.

The following criteria are used to account for impairment losses relating to specific types of assets:

4.14.1 GOODWILL

Goodwill is tested for impairment at least once a year (as of December 31) and, with greater frequency, when the circumstances lead to believe that the book value could be subject to impairment loss.

The impairment loss of the goodwill is determined measuring the recoverable value of the cash-generating unit to which the goodwill is connected. When the recoverable value of the cash-generating unit was lower than the carrying amount of the cash-generating unit to which goodwill was allocated, an impairment loss is recognised. The write-down of the value of goodwill may not be restored in future years.

4.14.2 TRADEMARKS

The other intangible assets with indefinite useful life, the trademarks (FLOS, B&B, Maxalto, Arclinea and "Louis Poulsen" are subject to annual impairment test at the Cash Generating unit level.

4.15 CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

Cash and cash equivalents and short-term deposits comprise cash at hand and short-term deposits on demand with maturity within three months.

For the purposes of representing the consolidated statement of cash flows, cash and cash equivalents are represented by cash as defined above, net of bank overdrafts.

4.16 TREASURY SHARES

Treasury shares bought back are recognised at cost and subtracted from shareholders' equity. The purchase, the sale or sale or write-off of treasury shares did not give rise to any profit or loss in the income statement. The difference between the acquisition value and the consideration, in case of re-emission, is recognised in the share premium reserve. If options on shares were exercised in the period, they are satisfied with treasury shares.

4.17 PROVISIONS FOR RISKS AND CHARGES

The Group recognises provisions for risks and charges when:

- it has a legal or implied obligation to third parties, resulting from a past event;
- it is probable that it will become necessary to use the Group's resources to fulfil the obligation;
- a reliable estimate of the amount of the obligation can be obtained.

Allocations are recognised at the present value, if the financial element (or time value) is significantly appreciable, using a discount rate that reflects the specific risks of the liabilities. When discounting is carried out, the increase in the allocation due to the elapsing of time is recognised as a financial expense. Changes in estimates are reflected in the income statement of the period in which the change took place.

4.18 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The Group operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund.

Defined benefit pension plans, which also include the "TFR" (Trattamento di Fine Rapporto) due in Italy to employees pursuant to Article 2120 of the Italian Civil Code, based on the working life of the employees and on the remuneration received by the employee during a predetermined service period. These benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, so are recognized in the financial statement to discounting calculation

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur.

4.19 SHARE-BASED PAYMENTS

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not considered when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement is non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

5.1. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

5.1.1 AMENDMENTS TO IFRS 3: DEFINITION OF A BUSINESS

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group enter into any business combinations.

5.1.2 AMENDMENTS TO IFRS 7, IFRS 9 AND IAS 39 INTEREST RATE BENCHMARK REFORM

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

5.1.3 AMENDMENTS TO IAS 1 AND IAS 8 DEFINITION OF MATERIAL

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

5.1.4 CONCEPTUAL FRAMEWORK FINANCIAL REPORTING ISSUED ON 29 MARCH 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

5.1.5 AMENDMENTS TO IFRS 16 COVID-19 RELATED RENT CONCESSIONS

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions—amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

6 DISCRETIONARY VALUATIONS AND SIGNIFICANT ACCOUNTING ESTIMATES

Preparation of the Group's financial statements requires directors to make discretionary valuations, estimates and hypotheses that influence the values of revenues, costs, assets and liabilities and the related disclosure, as well as the indication of potential liabilities. Uncertainty about assumptions and estimates could lead to outcomes that will require, in the future, a significant adjustment to the carrying amount of these assets and/or liabilities.

6.1 JUDGEMENTS

In applying Group accounting standards, the directors made decisions based on the following discretionary valuations (excluding those entailing estimates) with a significant effect on the values recorded in the financial statements.

6.2 USE OF ESTIMATES

Illustrated below are the assumptions pertaining to the future and the other main causes of uncertainty in the estimates that, as at the end of the financial year, present the relevant risk of giving rise to significant adjustments of the accounting values of the assets and liabilities within the following year. The Group based its estimates and assumptions on parameters available at the time of preparation of the consolidated financial statements. However, the current circumstances and assumptions on future development could be modified because of changes in the market or of events outside the Group's control. If these changes take place, they will be reflected in the assumptions.

6.2.1 IMPAIRMENT OF NON-FINANCIAL ASSETS

An impairment occurs when the carrying amount of an asset or of a cash-generating unit exceeds its recoverable value, which is the higher amount between the fair value net of selling costs and its value in use. Fair value net of selling costs is the amount obtainable from the sale of an asset or of a cash-generating unit in a free transaction between informed and willing parties, minus the costs of the disposal. The calculation of the value in use is based on a cash flow discounting model. Cash flows are derived from the budget of the four subsequent years and do not include restructuring activities for which the Group has not yet committed or significant future investments that will increase the results of the assets comprising the cash-generating unit being measured. The recoverable value depends markedly on the discount rate used in the cash flow discounting model, as well as on cash flows expected in the future and on the growth-rate used for extrapolation.

Given the uncertainties in place, it is important that entities provide detailed information on the assumptions made, the evidence on which they are based and the impact of changing key assumptions (sensitivity analysis). Given the level of intrinsic risk and the variability of judgments and estimates, the disclosure on the key assumptions used and the assessments made to estimate the recoverable value plays a fundamental role. The Covid-19 pandemic is likely to be a triggering event that requires an entity to carry out an impairment test in accordance with IAS 36. Entities will need to assess the key assumptions used to determine the recoverable amount for the different CGUs. The key inputs used in the models with reference to the determination of value in use and fair value less cost to sell will have to be reviewed to determine any impact.

Following the impairment test carried out, as per paragraph "Other Intangible asset" no triggered event has been recognized for the group.

6.2.2 ALLOCATION FOR IMPAIRMENT OF TRADE RECEIVABLES AND CONTRACTUAL ASSETS

The Group uses a matrix to calculate ECLs for trade receivables and contractual assets. The allocation rates are based on the days overdue for each class of customers grouped in the various segments that have similar historical loss patterns (e.g., by geographic area, type of product, type of customer, rating and guarantees).

The matrix is initially based on the observed historical insolvency rates of the Group. The Group will calibrate the matrix to refine the historical data on credit losses with forecast elements.

6.3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND CRITERIA

The Group's main liabilities comprise trade receivables, loans and other payables. The main objective of these liabilities is financing the operational activities of the Group. The Group has trade and non-trade receivables, other receivables, cash and cash equivalents and short-term deposits that originate directly from the operating activities.

The Group is exposed to market risk (interest and exchange rate risk), to credit risk and to liquidity risk. Group management is tasked with managing these risks. The Board of Directors shall review and approve the management policies of each of the risks exposed below.

6.3.1 INTEREST RATE RISK

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will be changed because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates is related firstly to long-term debt with variable interest rate. Consequently, the analysis of interest rate risk was carried out with a variation of + 100bps e -100 bps on Shareholder Loan and it may lead to a variation of 530 thousand of Euro.

6.3.2 EXCHANGE RATE RISK

The exchange rate risk is the risk that the fair value or the future cash flows of an exposure will be changed because of changes in exchange rates. The Group's exposure to the risk of changes in the exchange rates refer mainly to the operating activities of the Group (when the revenue or costs are denominated in a foreign currency) and to the Group's net investments in foreign subsidiaries.

Although the Group has a strong international connotation, use of the Euro as a transnational currency for most transactions almost eliminates the risk tied to exchange rate changes. The Group is mainly exposed for positions denominated Euro, Danish Krone, Yen and US Dollar; however, the volumes are not such as to have any significant impacts on the Group's financial and economic results. Consequently, no analysis was carried out on sensitivity to changes in exchange rates.

6.3.3 CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations tied to a financial instrument or to a commercial agreement, thus leading to a financial loss. The Group is exposed to the credit risk deriving from its operating activities (mostly for trade receivables and credit notes) and including deposits with banks and financial institutions.

The credit risk correlated to commercial counterparties is managed by the individual subsidiaries and monitored by the relative Group Administrative Offices. The Group has no significant credit risk concentrations. However, procedures are in place to ensure that sales of products and services are carried out to customers with high reliability, taking into account their financial position, past experience and other factors. Credit limits on main customers are based on internal and external valuations on the basis of thresholds approved by the head offices of the individual countries. Use of credit limits is monitored periodically.

The currently existing customer list comprises the main market players, with maximum reliability credit ratings. Therefore, no actions to hedge this risk were planned beyond the normal procedures and checks used for credit risk management.

There are no receivables overdue for over 12 months.

6.3.4 FINANCIAL INSTRUMENTS AND BANK DEPOSITS

Concerning the credit risk relating to the management of financial resources and cash, the risk is monitored by the Group Administrative Office, which implements procedures directed at ensuring the Group companies have dealings with high, safe profile independent companies.

6.3.5 LIQUIDITY RISK

The Group monitors the risk of a lack of liquidity using a liquidity planning tool.

The Group is not significantly exposed to this type of risk because the capital and financial structure of the Group is sound.

The tables below present the Group's financial commitments:

	As of 31 December 2020			
	Whthin 1 year	from 1 to 2 years	from 3 to 5 years	Carrying amount
Bond payable	—	—	720.000	704.674
Interest bearing loans	45.200	45.200	135.600	—
Other financial debts	1.934	—	—	1.934
Lease liability	9.336	9.336	28.235	46.907
Interest on lease liability	3.613	3.613	10.839	—
Total	**60.083**	**48.813**	**866.439**	**753.515**

	As of 31 December 2019			
	Whthin 1 year	from 1 to 2 years	from 3 to 5 years	Carrying amount
Bond payable	—	—	720.000	701.860
Interest bearing loans	45.200	45.200	180.800	—
Other financial debts	7.499	—	—	7.499
Lease liability	8.341	8.341	30.655	46.907
Interest on lease liability	3.813	3.813	11.439	—
Total	**64.853**	**57.354**	**942.894**	**756.266**

6.4 COMMITMENTS AND RISKS

6.4.1 GUARANTEES AND COMMITMENTS

Following the subscription of the Bond, the following real guarantees summarized below have been subscribed.

Act of pledge on current accounts of International Design Group SpA, signed on November 22, 2018, established by International Design Group SpA, to guarantee, inter alia, the loan agreement for Euro 100 million subscribed on November 9, 2018 and the issue bond of International Design Group SpA of Euro 720 million in favor of, inter alios, UniCredit SpA, as representative of the secured creditors envisaged therein;

Act of transfer under guarantee, signed on December 17, 2018, of intra-group receivables deriving from, inter alia, Proceeds Loan Agreements claimed by International Design Group S.p.A. towards Flos S.p.A., B&B Italia S.p.A. and Luminous Designs Investments ApS, as a guarantee, inter alia, of the loan agreement of Euro 100 million subscribed on November 9, 2018 and the bond issue of International Design Group S.p.A. of Euro 720 million in favor of, inter alios, UniCredit SpA, as representative of the secured creditors envisaged therein;

Act of pledge on shares of Flos S.p.A. signed on December 17, 2018 consisting of International Design Group S.p.A.to guarantee, inter alia, the loan agreement for Euro 100 million signed on November 9, 2018 and the bond issue of International Design Group S.p.A. of Euro 720 million in favor of, inter alios, UniCredit SpA, as representative of the secured creditors envisaged therein;

Act of pledge on shares of B&B Italia S.p.A. signed on 17 December 2018 consisting of International Design Group S.p.A., to guarantee, inter alia, the loan agreement for Euro 100 million subscribed on 9 November 2018 and the bond issue of International Design Group S.p.A. of Euro 720 million in favor of, inter alios, UniCredit SpA, as representative of the secured creditors envisaged therein;

Pledge on Luminous Designs Investments ApS shares subscribed on December 17, 2018 by International Design Group SpA, to guarantee, inter alia, the loan agreement for Euro 100 million signed on November 9, 2018 and the International Design bond issue Group SpA of Euro 720 million in favor of, inter alios, UniCredit SpA, as representative of secured creditors provided for therein.

6.5 CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital, convertible preference shares share premium and all other equity reserves attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments due to changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 40% and 50%. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits, excluding discontinued operations.

	December 31, 2020	December 31, 2019
Corporate Bond	704.674	701.860
Other financial liabilities	1.934	7.499
Financial liability per leases	46.907	47.338
Trade payables and other liabilities	163.663	162.816
Cash and cash equivalents and deposits	(92.723)	(63.564)
Net debt	**824.455**	**855.949**
Shareholders' equity	1.011.404	983.627
Shareholders' equity and net debt	**1.835.859**	**1.839.576**
Gearing ratio	*45%*	*47%*

6.5 FAIR VALUE MEASUREMENT

The following table provides the hierarchy of fair value measurement for the Group's liability at December 31, 2020 and 2019.

	Carrying amount (based on measurement basis)			
December 31, 2020	**Total**	**Fair value level 1**	**Fair value level 2**	**Fair value level 3**
Financial assets:	**116.088**			
Shareholding in parent company	23.365			23.365
Cash and cash equivalents	92.723	92.723		
Loans and receivables	**69.099**			
Trade and other receivables	62.767			
Non-current financial assets and other non-current assets	6.332			6.332
Assets held for sale	**2.011**			
Assets held for sale	2.011			
Financial liabilities:	**877.063**			
Trade payables	123.443			
Short-term financial debt	1.934			
Current lease financial liabilities	9.336			9.336
Other non current liabilities	106			
Non-current financial payables	704.674			704.674
Non-current lease financial liabilities	37.571			37.571

	Carrying amount (based on measurement basis)			
December 31, 2019	**Total**	**Fair value level 1**	**Fair value level 2**	**Fair value level 3**
Financial assets:	**81.570**			
Shareholding in parent company	18.006			18.006
Cash and cash equivalents	63.564	63.564		
Loans and receivables	**82.067**			
Trade and other receivables	75.524			
Non-current financial assets and other non-current assets	6.543			
Assets held for sale	**2.511**			
Assets held for sale	2.511			
Financial liabilities:	**881.668**			
Trade payables	124.219			
Short-term financial debt	7.499			7.499
Current lease financial liabilities	8.341			8.341
Other non current liabilities	752			
Non-current financial payables	701.860			701.860
Non-current lease financial liabilities	38.997			38.997

The Management verified that the fair value of cash and cash and cash equivalents and short-term deposits, of trade receivables and payables, of bank overdrafts and of other current liabilities approximates the book value because of the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is reported in the amount for which the instrument could be traded in a current transaction between willing parties, instead of in a forced sale or in a liquidation. To estimate fair value, the following methods and the following assumptions were used:

- Long-term receivables and loans, both fixed rate and floating rate, are measured by the Group on the basis of parameters such as interest rates, specific risk factors for each Country, the individual credit rating of each customer and the characteristic risk of the financial project. Based on this measurement, the allocations for the expected losses on these receivables are recognised in the accounting records.
- The fair value of listed securities and bonds is based on the listed price at the date of the financial statements. The fair value of unlisted instruments, such as loans from banks or other financial liabilities, obligations deriving from financial leases or as other non-current financial liabilities, is estimated through discounted future cash flows applying the current rates available for payables with similar terms, such as the credit risk and the remaining maturities. In addition to being sensitive to reasonably possible changes of the expected cash flows or of the discount rate, the fair value of equity instruments is also sensitive to reasonably possible changes of the growth rates. The valuation requires the use, by the Management of non-observable input data, illustrated previously. The Management regularly defines a range of reasonably possible alternatives for these significant non observable input data and it determines their impact on total fair value.

6.6 SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on the three CGU (cash generating unit) identified for the evaluation of the fair value asset and liabilities.

The Executive Management Committee is the Chief Operating Decision Maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The Group's financing (including finance costs, finance income and other income) and income taxes are managed on a Group basis through the cash pooling and fiscal consolidated and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties.

December, 31 2020	**B&B**	**FLOS**	**LP**	**Adjustments and elimination**	**Consolidated**
Revenues					
Revenues from contracts with customers	195.769	203.683	122.315	(984)	520.783
Other revenues and income	1.796	3.317	12	(31)	5.094
Total revenues	**197.565**	**207.000**	**122.327**	**(1.015)**	**525.877**
Income/Expenses					
Costs of inventories	(61.309)	(57.353)	(36.514)	976	(154.200)
Personnel costs	(35.238)	(39.296)	(34.726)	0	(109.260)
Service costs	(49.989)	(54.757)	(16.333)	10	(121.069)
Other costs	(2.560)	(4.554)	(3.085)	0	(10.199)
Depreciation and amortization	(12.315)	(12.669)	(8.461)	0	(33.444)
Segment profit	**36.154**	**38.371**	**23.208**	**(29)**	**97.704**
Total asset	**674.305**	**833.810**	**543.730**	**(1.056)**	**2.050.789**
Non-current asset	524.139	701.088	501.554	0	1.726.781
Current asset	150.166	132.722	42.176	(1.056)	324.008
Total liabilities	**(263.054)**	**(261.587)**	**(171.835)**	**1.056**	**(695.420)**
Non-current liabilities	(171.298)	(207.211)	(140.883)	0	(519.392)
Current liabilities	(91.756)	(54.376)	(30.952)	1.056	(176.028)

December, 31 2019	**B&B**	**FLOS**	**LP**	**Adjustments and elimination**	**Consolidated**
Revenues					
Revenues from contracts with customers	213.429	231.323	112.785	(785)	556.752
Other revenues and income	2.795	4.502	76	103	7.476
Total revenues	**216.224**	**235.825**	**112.861**	**(682)**	**564.228**
Income/Expenses					
Costs of inventories	(85.143)	(93.963)	(40.187)	598	(218.695)
Personnel costs	(36.988)	(41.092)	(34.246)	0	(112.327)
Service costs	(57.251)	(61.817)	(17.073)	1.960	(134.181)
Other costs	(5.682)	(5.834)	(4.643)	(103)	(16.262)
Depreciation and amortization	(10.832)	(12.155)	(8.295)	0	(31.282)
Segment profit	**20.328**	**20.964**	**8.417**	**1.773**	**51.482**
Total asset	**663.723**	**815.243**	**556.264**	**(192)**	**2.035.038**
Non-current asset	529.731	702.417	520.338	0	1.752.486
Current asset	133.992	112.826	35.926	(192)	282.552
Total liabilities	**(272.141)**	**(266.482)**	**(176.369)**	**209**	**(714.783)**
Non-current liabilities	(175.854)	(209.815)	(149.161)	0	(534.830)
Current liabilities	(96.287)	(56.667)	(27.208)	209	(179.953)

Adjustments and eliminations

Finance costs, finance income, other income, and fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

Capital expenditure consists of additions of property, plant and equipment, intangible assets and investment properties including assets from the acquisition of subsidiaries.

The contribution of the equity and economic balances of the parent company is shown net of the infra-group reports with the subsidiaries, eliminated in the consolidation.

Reconciliation of profit	31-dic-20	31-dic-19
Segment profit	**97.704**	**51.482**
Parent company results before interests and taxes and net to intercompany records	(487)	(170)
Financial income	1.969	2.090
Financial charges	(57.819)	(57.478)
Income taxes	(18.234)	(4.906)
Result before tax from continuing operations	**23.133**	**(8.982)**
Net profit of discontinued operations	(500)	(599)
Profit/(loss) for the period	**22.633**	**(9.581)**

Reconciliation of assets	31-dic-20	31-dic-19
Segment operating assets	**2.050.789**	**2.035.038**
Asset of the parent company net to intragroup movements	44.879	42.647
DHD ROU	8.229	—
Assets held for sale	2.011	2.511
Total assets	**2.105.908**	**2.080.196**

Reconciliation of liabilities	31-dic-20	31-dic-19
Segment operating liabilities	**(695.420)**	**(628.253)**
Parent company liabilities net to intragroup movements	(390.724)	(381.786)
DHD lease liabilities	(8.360)	—
Total liabilities	**(1.094.504)**	**(1.096.569)**

7 GOODWILL

The total value of goodwill amounts to Euro 1.052.460 thousand and its breakdown is as follows:

	December 31, 2020	December 31, 2019
Goodwill from acquisition of Flos S.p.A. Group	478.246	478.246
Goodwill from acquisition of B&B Group	372.379	372.379
Goodwill from acquisition of Louis Poulsen Group	201.835	201.835
Total	**1.052.460**	**1.052.460**

7.1 IMPAIRMENT TEST ON GOODWILL AND ON INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

In accordance with IAS 36, Goodwill is not subject to amortisation and it is tested for impairment at least once a year.

For *impairment* test purposes, Goodwill is allocated to the following Cash Generating Units, CGUs: Flos, B&B and Louis Poulsen.

The recoverable amount of each CGU (FLOS, B&B and Louis Poulsen) has been determined based on the calculation of the value in use, in which the projections of the cash flows were those approved by the management and of a period of 7 years, as approved by the management.

The calculation of the value in use is particularly sensitive to the following assumptions:

- revenue trend;
- marginality;
- discount rate;
- growth rate used to extrapolate cash flows beyond the forecast period.

COVID-19 pandemic spread constitutes an external factor of potential presumption of impairment for all companies, therefore the recoverability of the goodwill allocated to the three CGUs has been verified, in light of a specific analysis of the impact of the crisis on the value of fixed assets and on the basis of a business plan updated at the beginning of 2021.

The European Securities and Markets Authority (ESMA—European Securities and Market Authority) draws attention to the need to represent the growing level of uncertainty by:

- the possible use of multi-scenario techniques in determining the plans;
- alternatively, adjustments to the rates used for discounting the flows;
- update of the assumptions underlying the impairment tests at 31.12.2020 compared to the previous tests.

On this basis, the management has defined a single plan for each CGU (approved by the Board of Directors) which represents the normal and expected scenario, with reference to the period 2021-2027 and which was used for the development of impairment tests. The recoverable value of each CGU, determined on the basis of this plan, was subjected to stress tests and sensitivity analyzes which also took into consideration economic parameters and as a result of which positive results emerged.

The value in use of each CGU was calculated on the basis of a cost of asset (Ka) applied to the forecast operating cash flow projections of 8%, unchanged from last year, and a perpetual growth rate (g) by 1.5%, down from the previous year when it was 2%.

The recoverable value determined on the basis of the aforementioned assumptions and valuation techniques was higher than the book value of the assets allocated to the three CGUs, consequently the carrying amount of goodwill at 31 December 2020 is considered recoverable

The management has prepared an alternative scenario to verify the effects of this latter on the assets' value.

For Flos, the headroom emerged is 71.8 million Euros. In addition, a sensitivity analysis has been prepared, considering the last two years of the plan and has previewed a reduction of the revenues of 1%, and a reduction of the Ebitda margin of 0,5%. In this scenario the headroom emerged was 49.7 million Euros. Therefore, the recoverable value of Goodwill was in any case higher than the book value.

For B&B, the headroom emerged is 174,3 million Euros. In addition, a sensitivity analysis has been prepared, considering the last two years of the plan and has previewed a reduction of the revenues of 1%, and a reduction of the Ebitda margin of 0,5%. In this scenario the headroom emerged was 146.7 million Euros. Therefore, the recoverable value of Goodwill was in any case higher than the book value.

For LP, the headroom emerged is 121,1 million Euros. In addition, a sensitivity analysis has been prepared, considering the last two years of the plan and has previewed a reduction of the revenues of 1%, and a reduction of the Ebitda margin of 0,5%. In this scenario the headroom emerged was 113,3 million Euros. Therefore, the recoverable value of Goodwill was in any case higher than the book value.

Furthermore, the management has prepared an alternative valuation scenario (stress test) which provides for the determination of the recoverable amount per CGU over a period of a 5-year plan, in line with the dictates of the accounting standard; no impairment indicators emerged from this analysis.

8 OTHER INTANGIBLE ASSETS

The amount as at December 31, 2020 totals Euro 588.456 thousand and includes the following:

	DEVELOPMENT COSTS	INDUSTRIAL PATENT AND INTELLECTUAL PROPERTY RIGHTS	CONCESSIONS, LICENCES AND TRADEMARKS AND OTHER INTANGIBLE ASSETS	TRADEMARK	TOTAL INTANGIBLE ASSETS EXCLUDING GOODWILL
HISTORICAL COST as of January 31st, 2019	**32.181**	**24.809**	**23.426**	**568.867**	**649.283**
Increases	6.485	1.952	1.828	—	10.265
Decreases	(188)	—	(81)	—	(270)
Exchange rate difference	51	14	32	53	151
Other changes	—	—	(14)	—	(14)
HISTORICAL COST as of December 31st, 2020	**38.529**	**26.775**	**25.191**	**568.920**	**659.415**
ACCUMULATED AMORTISATION as of January 1st, 2019	**23.225**	**22.146**	**16.383**	**80**	**61.834**
Increases	5.320	2.300	1.398	—	9.018
Decreases	—	—	-30	—	(30)
Exchange rate difference	30	13	37	5	86
Other changes	(3)	53	1	—	51
ACCUMULATED AMORTISATION as of December 31st, 2020	**28.573**	**24.512**	**17.789**	**85**	**70.959**
NET BOOK VALUE as of December 31st, 2019	**8.956**	**2.663**	**7.043**	**568.787**	**587.449**
NET BOOK VALUE as of December 31st, 2020	**9.956**	**2.263**	**7.402**	**568.835**	**588.456**

Development costs, totalling Euro 9.956 thousand, includes the costs for the personnel dedicated to product development work carried out within the Group. These costs are amortised in three years.

Industrial patent and intellectual property rights comprises mainly costs incurred for depositing patents, producing software and build e-commerce websites.

Concessions, licences and trademarks and other intangible assets comprises mainly assets of the Parent Company referred to the production licences relating to specific product lines, costs for software licenses and the development of CRM software, costs for projects in progress and customer relationships.

Trademark, amounting to Euro 568.835 thousand, refers to the trademarks:

- "FLOS", equal to Euro 244.139 thousand;

- "B&B", "Maxalto" and "Arclinea" equal to Euro 201.248 thousand;
- "Louis Poulsen", equal to Euro 123.448 thousand.

Trademarks are considered with an indefinite useful life and therefore subject to annual impairment test.

The recoverable amount of the trademarks has been verified by determining a royalty rate among 6% -7%, which a third party would be willing to pay to the owners of the brands, applied to the forecast revenue provided by the business plan. Using a discount rate of 8%, the recoverable value of trademarks was higher than the book value.

The management has prepared an alternative scenario, considering the last two years of the plan and expected a reduction in revenues of 1%, and a reduction in the royalty rate of 0.2%, to verify the effects of this scenario on the value of the brands. No Brand impairment are due in this latter case.

9 PROPERTY, PLANT AND EQUIPMENT

The amount as at December 31, 2020 totals Euro 109.292 thousand, as shown in detail in the following table:

	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL AND COMMERCIAL EQUIPMENT	OTHER ASSETS	WORK IN PROGRESS AND ADVANCES	TOTAL PROPERTY, PLANT AND EQUIPMENT
HISTORICAL COST as of December 31st, 2019	**129.407**	**66.089**	**64.999**	**23.119**	**1.274**	**284.888**
Increases	1.461	5.600	3.488	1.149	692	12.391
Decreases	(1.131)	(3.546)	(399)	(929)	(492)	(6.498)
Exchange rate difference	(300)	(255)	1	6	(1)	(549)
Other changes	—	—	(53)	—	(100)	(153)
HISTORICAL COST as of December 31st, 2020	**129.437**	**67.887**	**68.036**	**23.345**	**1.373**	**290.078**
ACCUMULATED AMORTISATION as of December 31st, 2019	**42.178**	**54.958**	**57.892**	**18.180**	**—**	**173.208**
Increases	4.000	3.626	3.032	1.791	—	12.450
Decreases	(319)	(3.235)	(357)	(259)	—	(4.170)
Exchange rate difference	(250)	(12)	(17)	(10)	—	(289)
Other changes	(268)	—	(3)	(142)	—	(413)
ACCUMULATED AMORTISATION as of December 31st, 2020	**45.341**	**55.337**	**60.547**	**19.560**	**—**	**180.786**
NET BOOK VALUE as of December 31, 2019	**87.229**	**11.131**	**7.107**	**4.939**	**1.274**	**111.680**
NET BOOK VALUE as of December 31, 2020	**84.096**	**12.550**	**7.488**	**3.785**	**1.373**	**109.292**

The variation in Plant and Machinery mainly refers to the improvements of the Arclinea plant that lead to enhance the efficiency of the industrial processes, pursuant to 4.0 technology requirement, and for plant improvement of B&B company, located in Novedrate (0,6 thousand euro).

The variation in Industrial and Commercial Equipment refers to purchases of new molds for the development and manufacture of products.

10 RIGHT OF USE AND FINANCIAL LEASE LIABILITIES

The Group has existing leases covering land and buildings, plants and machinery, vehicles and other equipment that are used in operational activities. Land and construction leases generally last between 2 and 24 years, plant and machinery leases generally last between 2 and 8 years, while those for vehicles and other equipment generally last between 2 and 5 years.

The group's liabilities relating to these leasing agreements are guaranteed by the title of the landlord's property on the leased assets. Generally, the Group may not in turn lease the leased assets to third parties and certain contracts require the group to comply with certain liquidity indices. There are many leasing agreements that include options for renewal and cancellation and variable payments that are best described below.

The group also has certain leases for machinery whose lifespan is 12 months or less and office equipment whose value is modest. The group has chosen for these contracts to apply the exemptions provided by IFRS16 for short-term or low value assets.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL AND COMMERCIAL EQUIPMENT	OTHER ASSETS	TOTAL RIGHT OF USE ASSET
Right of Use assets as of December 31st, 2019	**51.724**	**1.603**	**18**	**1.569**	**54.914**
Additions	9.050	586	1	554	10.192
Decreases for dismissal/change in scope	—	—	—	—	—
Exchange rate differences	(386)	6	1	(3)	(382)
Right of Use assets as of December 31st, 2020	**60.388**	**2.195**	**20**	**2.120**	**64.724**
Accumulated amortization as of December 31st, 2019	**9.195**	**647**	**5**	**564**	**10.411**
Additions	10.125	658	6	440	11.230
Decreases for dismissal/change in scope	—	—	—	—	—
Exchange rate differences	56	3	—	1	60
Accumulated amortization as of December 31st, 2020	**19.376**	**1.309**	**11**	**1.005**	**21.701**
Net Book Value as of Decmeber 31st, 2019	**42.529**	**956**	**13**	**1.005**	**44.503**
Net Book Value as of December 31st, 2020	**41.012**	**887**	**9**	**1.115**	**43.023**

The item "Land and Buildings" mainly includes the lease contracts for the shops managed by B&B and Flos.

The increase of the year is mainly due to the signing of the long-term lease agreement, signed by Design Holding Denmark, a company established and controlled by IDG SpA, and concerning the spaces in which the same company is situated.

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

Financial lease liability as of 31 December 2019	**47.338**
Additions	9.580
Decreases	—
Interests	3.613
Payments	(13.666)
Exchange rate difference	41
Financial lease liability as of 31st December 2020	**46.907**
Current financial lease liability	*9.336*
Non-current financial lease liability	*37.571*

Many lessors have provided rent concessions to lessees because of the Covid-19 pandemic. Rent concessions can include rent holidays or rent reductions for a period, possibly followed by increased rent payments in future periods. Applying the requirements in IFRS 16 for changes to lease payments, particularly assessing whether the rent concessions are lease modifications and applying the required accounting, could be practically difficult in the current environment. The objective of the amendment is to provide lessees that have been granted Covid-19 related rent concessions with practical relief, while still providing useful information about leases to users of the financial statements.

As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic.

A lessee that applies the practical expedient discloses that it has applied the practical expedient to all rent concessions that meet the conditions for the practical expedient or, if not applied to all such rent concessions, information about the nature of the contracts to which it has applied the practical expedient. In addition, a lessee discloses the amount recognized in profit or loss to reflect changes in lease payments that arise from such rent concessions to which the lessee has applied the practical expedient.

Entities will need to assess whether the regulator in their jurisdiction allows the use of the relief and the date from which it is effective.

The Group during the year, recorded reductions in leasing installments of approximately euro 94 thousand and mainly for the stores of Flos SpA and Flos France.

11 SHAREHOLDING IN PARENT COMPANY

In December 2019, IDG has bought shares of its Parent Company, Design Holding S.p.A., for Euro 18.006 thousand. This amount is considered the fair value of the investment. As of December 2020, the fair value of the investment amount to Euro 23.569 and due to the revaluation on the basis of the equity value of the parent company.

12 DEFERRED TAX ASSETS

The breakdown and related changes in deferred tax assets are as follows:

	Balance as of 31 December 2020	Taxes to income statement 2020	Exchange rates differences	Balance as of December 31, 2019
Reversal of related expenses for the purchase of equity investments	3.871	—	—	3.871
Inventory margin	1.917	3	—	1.914
Tax losses carried forward	369	(168)	1	536
Non-deductible financial charges	2.811	673	—	2.138
Depreciation of tangible assets and amortization of intangible assets	2.145	159	(8)	1.994
Provisions for stock obsolescence	2.910	633	(11)	2.288
Allowance for doubtful debts	1.262	(73)	(4)	1.339
Provisions for employee severance indemnities	958	160	—	798
Allocations to risk provision	1.354	(265)	(7)	1.626
Remuneration not yet paid	(265)	(194)	—	(71)
Other changes	722	29	(3)	696
DEFERRED TAX ASSETS	**18.054**	**957**	**(32)**	**17.129**

13 NON-CURRENT FINANCIAL ASSETS

The item, amounting to Euro 3.354 thousand, includes on December 31, 2020 mainly the deposits on rent paid by Group companies.

14 INVENTORIES

Inventories are detailed in the following table:

	Dec-31-20	Dec-31-19
Materials, auxiliaries and consumables	47.302	44.791
Provision for write-down on materials, auxiliaries, and consumables	(7.256)	(5.425)
Work in progress and semi-finished goods	40.377	30.778
Provision for write-down on work in progress and semi-finished goods	(3.774)	(2.998)
Finished products	27.524	27.817
Provision for write-down on finished products	(6.387)	(6.672)
Advances	867	1.839
Goods in transit	1.571	2.022
TOTAL INVENTORIES	**100.224**	**92.152**

The changes in the provision for write-down relating to inventories are as follows:

	PROVISION FOR WRITE-DOWN OF INVENTORIES
BALANCE as of December 31st, 2019	**(15.095)**
Usage of Provision	2.084
Write-down portion	(4.416)
Exchange rate difference	10
BALANCE AS OF DECEMBER 31st, 2020	**(17.417)**

15 TRADE RECEIVABLES

At December 31, 2020, trade receivables total Euro 57.133 thousand, including the trade receivables toward the ultimate aren't company and net of the bad debt provision which amounts to Euro 5.688 thousand.

The following table shows the breakdown by geographic areas of the amount of trade receivables, including the breakdown by geographic areas of the amount of the provision for write-down:

	Dec-31-20	Dec-31-19
Italy	9.854	17.663
EEC	26.882	31.712
Non-EEC	20.397	19.137
TOTAL TRADE RECEIVABLES	**57.133**	**68.512**

The changes in the provision for impairment of receivables are summarised below:

	PROVISION FOR IMPAIRMENT OF RECEIVABLES
BALANCE as of December 31st, 2019	(5.801)
Usage of Provision	1.035
Allocation to Provision	(927)
Exchange rate difference	25
BALANCE AS OF DECEMBER 31st, 2020	**(5.668)**

Trade receivables, amounting to Euro 62.801 thousand, are broken down by maturity, without taking into account the Provision for Impairment of Receivables of Euro 5.668:

	Total as of December 31st, 2020	Current	Overdue 0-30	Overdue 30-60	Overdue 60-90	Overdue 90-120	Past due more than 120 days
Italy	25.178	19.717	1.617	261	59	242	3.282
EEC	22.239	15.846	3.114	1.091	210	350	1.628
Non-EEC	15.384	11.888	1.785	227	257	287	940
TOTAL TRADE RECEIVABLES	**62.801**	**47.451**	**6.516**	**1.579**	**526**	**879**	**5.850**

16 TAX ASSETS AND OTHER CURRENT ASSETS

16.1 TAX RECEIVABLES AND DUE FROM TAX AUTHORITIES

Tax credit and due from tax authorities are detailed as follows:

	Dec-31-20	Dec-31-19
Receivables for paid tax advances	2.558	1.704
Tax receivable vs. DH	2.191	2.341
VAT receivable	1.939	4.133
Receivables for withholding taxes	43	96
Other tax receivables	470	400
TOTAL CURRENT TAX RECEIVABLES AND DUE FROM TAX AUTHORITIES	**7.201**	**8.674**

Receivables for tax advances paid and for withholding taxes include the positions of different companies with respect to the local Tax Authority for the payment of taxes.

16.2 OTHER CURRENT ASSETS

Other assets, amounting to Euro 5.634 thousand, refer mainly to advances paid to suppliers and to amounts already paid for maintenance fees, utilisation of software and services for IP deposits.

17 CASH AND CASH EQUIVALENTS AND DEPOSITS

Current and restricted cash and cash equivalents at December 31, 2020 total Euro 92.723 thousand and their breakdown is as follows:

	Dec-31-20	Dec-31-19
Bank and postal accounts	92.268	63.278
Cheques	6	7
Cash and cash equivalents in hand	86	96
Total current cash and cash equivalents	**92.360**	**63.381**
Restricted bank deposits	**363**	**183**
TOTAL CASH AND CASH EQUIVALENTS	**92.723**	**63.564**

For a detailed analysis of the change in the cash and cash equivalents of the company, please refer to the Consolidated Statement of Cash Flows.

18 ASSETS HELD FOR SALE

The caption "Assets held for disposal", amounting to Euro 2.011 thousand, includes the buildings and land with the related generic facilities relevant to the Ascoli plant of the B&B Group, currently unused. Compared to last year, the group further devalued these assets by a total of Euro 500 thousand net to tax effect.

19 SHAREHOLDERS' EQUITY

For the details of changes in its breakdown, please refer to the Statement of Changes in Shareholders' Equity. Below the reconciliation table between the Shareholders' Equity of the Parent company and the Consolidated Shareholders' Equity has been represented.

Reconciliation of IDG's Equity	Dec-31-20	Dec-31-19
Shareholders' equity of IDG consistent with local GAAP	981.144	993.142
Impact of IFRS adjustments on IDG's Equity	(5.554)	(10.856)
Subsidiaries Equity net of investment eliminations	35.814	40.258
PPA's reversal impacts	—	(38.917)
Consolidated Shareholders' Equity of IDG Group	**1.011.404**	**983.627**

20 DEFINED BENEFIT PLANS

Defined benefit plans represent the use and allocations within the year for the Parent Company and by the Italian subsidiaries.

The amount of the provision for Employee severance indemnities is net of the amounts allocated to the Complementary Treasury Provision.

The changes are as follows:

	DEFINED BENEFITS PLAN
BALANCE as of December 31st, 2019	**7.721**
Allocations to Provision	2.259
Usage of Provision	(2.523)
Discounting interest	3
Actuarial gains and losses	16
Exchange rate difference	7
BALANCE as of DECEMBER 31st, 2020	**7.483**

The measurement of the employee severance indemnity for IAS purposes follows the method of the projection of the present value of the defined benefits obligation with the estimate of the benefits accrued by employees.

Following the changes introduced by Law no. 296 of December 27, 2006 (“2007 Budget Act”) and by the following implementing Decrees and Regulations, the portions of employee severance indemnity accrued until December 31, 2006 will continue to remain in the company configuring a defined benefits plan (obligation for the accrued benefits subject to actuarial valuation), while the portions accruing from January 1, 2007 onwards, by effect of the choices made by the employees during the year, will be allocated to complementary pension plans or transferred by the company to the treasury provision managed by INPS and starting from the time the decision is formalised by the employee, they are defined contribution plans (no longer subject to actuarial valuation). Hence, the employee severance indemnity is determined as a result of the application of an actuarial model based on several demographic and economic assumptions.

The following table shows the technical economic assumptions used:

	Dec-31-20	Dec-31-19
Annual discount rate	-0,02%	0,37%
Annual inflation rate	0,80%	1,20%
Annual rate of increase of employee severance indemnity	2,10%	2,40%

In particular, the annual discount rate used to determine the annual value of the obligation was obtained, consistently with Paragraph 83 of IAS 19, from the Iboxx Corporate AA index recorded on the date of the measurement. For this purpose, the return whose duration is comparable to the collective duration of the evaluated Company was selected.

21 PROVISIONS FOR RISKS AND OTHER CHARGES

Provisions for risks and charges, totalling Euro 10.986 thousand, include:

- Provisions for pension liabilities and the like, amounting to Euro 4.608 thousand;
- Provisions for products’ warranty, amounting to Euro 3.512 thousand;
- Other Provisions, amounting to Euro 2.866 thousand.

The changes of these three types of provisions are shown below.

21.1 PROVISIONS FOR PENSION LIABILITIES AND THE LIKE

	PROVISIONS FOR PENSION LIABILITIES AND THE LIKE
BALANCE as of December 31st, 2019	**4.069**
Allocations to Provision	893
Usage of Provision	(173)
Actuarial gains/(losses)	(181)
BALANCE AT DECEMBER 31st, 2020	**4.608**

At December 31, 2020 the Provisions for pension liabilities, amounting to Euro 4.608 thousand, consists of the amount of the supplementary customer indemnity accrued towards agents, in accordance with the current agents’ national collective agreement. The amount reflects the prudent appreciation of the risk connected with any interruption of the mandate conferred to agents in the cases prescribed by law.

The Provision for pension liabilities is subject to actuarial calculation.

21.2 OTHER PROVISIONS FOR RISKS AND CHARGES

"Other Provisions for Risks" are made up by the two following captions. The main amount is represented by the product warranty provision.

	PROVISION FOR PRODUCTS' WARRANTY
BALANCE as of December 31st, 2019	**3.601**
Allocations to Provision	353
Usage of Provision	(443)
Exchange rate difference	1
BALANCE AS OF DECEMBER 31st, 2020	**3.512**

	OTHER PROVISIONS FOR RISKS AND CHARGES
BALANCE as of December 31st, 2019	**2.680**
Allocations to Provision	726
Usage of Provision	(511)
Exchange rate difference	(29)
BALANCE AS OF DECEMBER 31st, 2020	**2.866**

The other provisions for risks reflect the potential charges for litigation risks and related legal fees.

22 CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

The details of the financial liabilities are as follows:

	Dec-31-20	Dec-31-19
Current financial liabilities:		
Payables to other lenders	761	3.026
Payables to banks	1.163	4.473
Liabilities for leases	9.336	8.341
Total current financial liabilities	**11.261**	**15.840**
Non-current financial liabilities:		
Payables to other lenders	2.777	3.767
Bond payable	701.907	698.093
Liabilities for leases	37.571	38.997
Total non-current financial liabilities	**742.255**	**740.857**
TOTAL FINANCIAL LIABILITIES	**753.515**	**756.697**

The reconciliation of the payable for Bonds payable is as follows:

	Dec-31-20	Dec-31-19
Bonds payable	720.000	720.000
Amortised cost	(23.710)	(27.649)
Matured interest	5.617	5.742
Liabilities for Bonds payable	**701.907**	**698.093**

The Bonds payable comprises two bonds issued on November 16, 2018 with the following characteristics:

	Nominal value	Due	Nominal rate
Bond 1	400,000	Bullet 15/11/2025	6.5%
Bond 2	320,000	Bullet 17/11/2025	Euribor 3m + 6%

Regarding the Bonds payable, the main features are specified below.

As mentioned before, the Company issued a guaranteed and non-convertible senior bond loan with a principal accounting for Euro 720 million, maturing in 2025, divided into two lines: the first one is equal to Euro 400 million and called "Senior secured fixed rate notes"; the second one accounts for Euro 320 million and it is denominated "Senior secured Floating rate notes".

As far as the Fixed line is concerned, the bond has a fixed annual interest rate equal to 6.5%, semi-annual coupons and capital repayment at maturity.

On the other hand, the Floating line bond has a fixed annual interest rate equal to the quarterly Euribor plus a 6 percentage points spread, with quarterly coupon maturity and capital repayment at maturity.

The bonds have been offered to institutional investors and traded on regulated markets, especially in the Third Market managed by the Vienna stock exchange and Luxemburg stock exchange.

For personal and real guarantees regarding the obligations assumed after the issue of the Bond, please see the specific paragraph of this explanatory note (6.4.2).

Furthermore, with reference to any financial obligations assumed by the Company according to the existing financial documentation, it is stated that: (i) according to the documentation relating to the bond issue of Euro 720.000.000 by IDG, no financial recurring obligation compliance is envisaged (maintenance financial covenant); (ii) according to the revolving loan agreement accounting for Euro 100.000.000 subscribed by IDG, the financial obligation should be verified only if the revolving credit facility reported in the contract is used for a higher amount than a specific threshold at the last day of the reference period ending at a date that corresponds to or follows the first calculation date (i.e. the last day of the third financial quarter following the closing date of the transaction).

During the first semester of 2020, the company drawdown the total amount of revolving loan for Euro 100.000.000 and as at December 2020, the same facility its totally refund.

23 DEFERRED TAX LIABILITIES

The breakdown and related changes in deferred tax liabilities are as follows:

	Dec-31-20	Taxes to income statement	Taxes to OCI	Exchange rate difference	Dec-31-19
Brand	42.671	1.311	—	12	41.348
R&D	5.356	(658)	—	2	6.012
Property revaluation	23.446	(1.324)	—	8	24.762
Shareholding revaluation	64	—	64	—	13
Business combination	86.546	—	—	17	86.529
Leasing deduction	146	14	—	—	132
Ammortamnto imm. materiali	129	127	—	2	—
Other minor differences	497	296	—	—	201
DEFERRED TAX LIABILITIES	**158.856**	**(233)**	**64**	**41**	**158.984**

24 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities, equal to Euro 106 thousand, refer mainly to ongoing fees to pay to the bank for the loan facility granted to IDG.

25 TRADE PAYABLES

Trade payables broken down by geographic area are provided below.

	Dec-31-20	Dec-31-19
Italy	53.399	74.789
EEC	52.357	34.280
Non-EEC	17.687	15.150
TOTAL TRADE PAYABLES	**123.443**	**124.219**

The item includes both trade payables to suppliers, including allocations for invoices to be received and advances from customers and trade payables toward the ultimate parent company.

The breakdown by maturity of payables to suppliers, amounting to Euro 79.980 thousand, is as follows:

	Total as of Dec.31-2020	Current	Overdue 0-30	Overdue 30-60	Overdue 60-90	Overdue 90-120	Overdue Oltre 120
Italy	51.676	48.893	797	436	345	379	826
EEC	24.438	21.562	1.300	256	56	677	587
Non-EEC	3.866	2.872	582	117	14	1	280
TOTAL TRADE LIABILITIES	**79.980**	**73.326**	**2.679**	**809**	**415**	**1.057**	**1.692**

26 TAX PAYABLES AND OTHER CURRENT LIABILITIES

More details about these items are provided below.

26.1 TAX PAYABLES AND DUE TO TAX AUTHORITIES

	Dec-31-20	Dec-31-19
Due to Tax Authorities for taxes	3.517	4.320
Due to DH for taxes	2.512	3.313
Due to Tax Authorities for VAT	3.869	3.009
Sundry taxes payable	1.466	1.115
TOTAL TAX PAYABLES AND DUE TO TAX AUTHORITIES	**11.364**	**11.756**

26.2 PAYABLES TO SOCIAL SECURITY AGENCIES

Payables to social security agencies amount to Euro 4.866 thousand and include mainly the contributions to be paid for the month of December.

26.1 DUE TO PERSONNEL AND OTHER PAYABLES

	Dec-31-20	Dec-31-19
Other payables to personnel	7.636	8.750
Payables for unused holidays	5.967	4.454
Tax payables for employee taxes	3.498	1.203
Payables to management and directors	1.260	1.096
Payables to customers for bonus and other payables	3.171	3.720
Payables for marketing contributions	181	89
Payables for royalties	1.745	1.661
Other payables	427	497
DUE TO PERSONNEL AND OTHER PAYABLES	**23.885**	**21.470**

27 REVENUES

Revenues as of December 31, 2020 amount to Euro 520.561 thousand and relate to the sale of products and services.

27.1 DISAGGREGATED REVENUES

Set out below is the disaggregation of the Group's revenues from contracts with customers by geographical markets:

Geographical markets	December 2020	December 2019
Europe	361.066	362.785
North America	74.882	99.771
APAC	76.332	81.892
MENA and other	8.281	11.431
Total revenue from contracts with customers	**520.561**	**555.879**

Set out below is the disaggregation of the Group's revenues from contracts with customers by type of goods or service:

Type of goods or service	December 2020	December 2019
Lighting	321.631	340.629
Upholstery	60.864	63.335
Kitchen	27.632	28.658
Other*	106.033	118.749
Spare parts and accessories	4.401	4.508
Total revenue from contracts with customers	**520.561**	**555.879**

Set out below is the disaggregation of the Group's revenues from contracts with customers by channel:

Revenues by channel	December 2020	December 2019
Wholesale	381.828	379.534
Contract	102.606	133.034
Retail	32.220	40.089
Direct online	3.907	3.223
Total revenue from contracts with customers	**520.561**	**555.879**

**Includes revenues from the sale of* Outdoor Furniture, Tables, Beds complementary furniture.

28 OTHER REVENUES AND INCOME

Details about Other revenues and income are provided in the following table.

	December 2020	December 2019
Other revenues	4.830	7.281
Gains on disposal of assets	70	87
Operating grants	179	130
Release of provisions	254	852
TOTAL OTHER REVENUES AND INCOME	**5.333**	**8.350**

Other revenues include revenues for performance of other services, debited transports and sundry insurance reimbursements.

29 PURCHASES OF RAW MATERIALS AND VARIATION IN INVENTORIES

The details of Purchases of raw materials and changes in inventories are as follows:

	December 2020	December 2019
Purchases of raw materials, semi-finished goods, finished products	(154.433)	(172.488)
Purchases of promotion and advertising materials	(1.583)	(1.973)
Purchase of various other materials	(1.633)	(1.617)
Changes in inventories of work in progress	427	(45.562)
Increases in internal work capitalised	482	426
Changes in inventories of raw materials	2.540	2.536
TOTAL PURCHASES OF RAW MATERIALS AND CHANGES IN INVENTORIES	**(154.200)**	**(218.678)**

We point out that in 2019 the item "Changes in inventories of work in progress and finished products" has been influenced by the reversal of the surplus values attributable to inventories for Euro 45.483 thousand.

The further reduction of the item "Purchases of raw materials, semi-finished products, finished products" is due to the proactive management of products and cost optimization set by the group to minimize any Covid-19 impacts.

30 PERSONNEL COSTS

Details about Personnel costs are provided in the following table:

	December 2020	December 2019
Salaries and wages	(84.791)	(86.251)
Stock options plans	(1.246)	(943)
Social security contributions	(16.237)	(17.260)
Employee severance indemnities and pension charges	(4.751)	(4.437)
Other personnel costs	(2.234)	(3.436)
TOTAL PERSONNEL COSTS	**(109.260)**	**(112.327)**

The Group granted a stock grant plan to some employee.

In accordance with IFRS 2 "Share-based payments", the Group recognized in its consolidated financial statement the stock grant plan, composed only by "equity settled" plan, among the personnel costs together with a corresponding increase in equity.

The item "Other personnel costs" include also the remuneration to directors and other minor cost for employee.

The number of Group employees are broken down by category below, distinguished between those employed at December 31, 2020 and the average workforce of the year:

	as of 31.12.2020	Average FTE 2020
Executives	47	47
White-collar	999	974
Blue-collar	658	667
Total employees	**1.704**	**1.688**

31 SERVICE COSTS

The details of Service costs are as follows:

	December 2020	December 2019
Contractor work and outsourced production work	(32.177)	(34.307)
Fees, royalties, expenses for advertising and communication	(34.652)	(36.496)
Transport and customs expenses	(14.870)	(16.170)
Utilities, accessory services, EDP fees, maintenance, and repairs	(10.634)	(9.919)
Technical, artistic, tax, legal and other advisory services	(10.514)	(9.719)
Emoluments to statutory auditors and independent auditors	(1.104)	(1.159)
Travel and lodging expenses	(3.371)	(8.115)
Expenses for training, third-party personnel, banking services and sundry administrative services	(6.466)	(6.968)
Insurance, patents and trademarks, telephone and mail expenses	(2.720)	(2.574)
Management fees and other costs vs. ultimate parent company	(5.107)	(10.001)
TOTAL COSTS FOR SERVICES	**(121.615)**	**(135.427)**

32 PROVISIONS

Allocations to provisions refer to:

	December 2020	December 2019
Provisions for pension liabilities and the like	(893)	(776)
Provisions for other risks	(726)	(1.582)
Provisions for other charges	(353)	(750)
TOTAL ALLOCATIONS TO PROVISIONS	**(1.972)**	**(3.107)**

33 OTHER COSTS AND CHARGES

The Other costs and charges comprise the following:

	December 2020	December 2019
Property services	(1.252)	(2.740)
Short term and low value leases	—	(459)
Rent and EDP licence fees	(1.455)	(2.161)
Other taxes and duties	(1.181)	(1.922)
Gifts and charitable donations	(237)	(303)
Membership and subscriptions included Internet	(337)	—
Purchase of office supplies and consumables	(505)	(568)
Sundry and general expenses	(821)	(1.698)
Cost closing down LP Italy and Belgium	—	(483)
Other operating costs	(2.441)	(2.635)
TOTAL OTHER COSTS AND CHARGES	**(8.228)**	**(12.969)**

34 AMORTIZATION, DEPRECIATION AND IMPAIRMENT

The details of Amortization, depreciation and impairment are provided in the following table:

	December 2020	December 2019
Amortization of intangible assets	(9.018)	(8.031)
Depreciation of tangible assets	(12.450)	(11.853)
Depreciation of right of use assets	(11.230)	(10.411)
Write-down of fixed assets	—	(233)
Impairment of receivables	(927)	(754)
TOTAL AMORTIZATION, DEPRECIATION AND IMPAIRMENT	**(33.625)**	**(31.282)**

35 FINANCIAL INCOME

The item, amounting to Euro 1.970 thousand, includes mainly exchange gains relating to foreign exchange transactions.

36 FINANCIAL CHARGES

Financial charges comprise mainly Financial charges tied to the bond issued for the purposes of the business combination and amount to Euro 57.819 thousand.

37 INCOME TAXES

The details of taxes are as follows:

	December 2020	December 2019
Current income taxes	(19.424)	(17.354)
Deferred tax income	1.190	12.448
TOTAL INCOME TAXES	**(18.234)**	**(4.906)**

The item "Deferred income taxes as of December 2019 was mainly composed by the deferred tax due to the reversal of excess values recognized for the business combination.

The reconciliation between income taxes and the theoretical ones, resulting from the application of the current rate in Europe to pre-tax profit for the year ended December 31, 2020 is as follow:

	December 2020	December 2019
Accounting income/(loss) before income tax	**41.367**	**(4.076)**
Tax at domestic rates applicable to individual group entities (26%)	**(10.938)**	**(7.109)**
Prior year's taxes	1.827	1.175
Non-deductible expenses or non-taxable income	(4.538)	(1.041)
Tax asset not recognised on IDG	(4.585)	—
Benefit from consolidated tax declaration	—	2.069
Actual taxes recognised in the Profit & Loss	**(18.234)**	**(4.906)**

Under the Italian fiscal jurisdiction, IDG SpA and its subsidiaries for the three-year period 2020-2022 have joined to the national tax consolidation regime, with a specific contract signed that aim to transferr tax items towards to ultimate parent company, Design Holding SpA .

The national tax consolidation regime, pursuant the articles 117-129 of Presidential Decree 917/86, provide a single calculation of a group taxable base for the consolidated companies;

Consequently:

(i) at the equity level, all items relating to the regulation of IRES are classified as intragroup relations of a tax nature;

(ii) an economic level, in addition to the relevant resources, income and / or charges from consolidation for the remuneration of the tax items transferred to the consolidating entity are recognized only upon the occurrence of certain conditions envisaged in the tax consolidation contract. In particular, the remuneration of the items transferred to the parent company will be recognized to the consolidated company in the tax period in which these items can be used independently by the company that transferred to the tax consolidation, within the next five fiscal periods form the transfer date.

At 31 December 2020, the Group has not allocated receivables relating to the tax consolidation for a total of Euro 2.2 million, deriving from the non-deductible interest expense and the ACE of IDG S.p.A., because doesn't exists a condition for future recovery of the credit.

38 EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	Dicembre 2020	Dicembre 2019
Profit attributable to ordinary equity holders of the parent:	**21.239**	**(10.511)**
Weighted average number of ordinary shares for basic EPS*	**5.102**	**5.102**
Ordinary shares	5.102	5.102
Weighted average number of ordinary shares adjusted for the effect of dilution	**5.102**	**5.102**
Ordinary shares	5.102	5.102
EPS Base	*4,2*	*(2,1)*
EPS Diluited	*4,2*	*(2,1)*

** L'EPS Base and Diluted as of December 2019 is influenced by the effects of the reversal of the surplus values deriving from the business combination that took place in 2018.Excluding this effect the EPS base and diluted should be equal to 4,6.*

39 RELATED PARTY DISCOUSURE

IDG Spa and its subsidiaries have joined to the national tax consolidation regime with the ultimate parent company, Design Holding S.p.A. as explained in the paragraph 37 "Income taxes".

Receivables and payables, revenues and expenses between the groups entities and the parent company have been recognized in individual line items in the financial statements schemes.

40 EVENTS AFTER THE REPORTING PERIOD

Please refer to notes 12 "Business outlook and important event that occurred after the end of the financial year", of the management reports.

These Financial Statements, consisting of the Statement of Financial Position, Statement of Profit/Loss for the Year, Statement of Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Explanatory Notes, provide a true and fair representation of the financial position and the income for the year and match the results of the accounting records.

Milan, April 7, 2021

On behalf of the Board of Directors

The Chairman

Piero Canzani

Consolidated Financial Statements of the Issuer, as of and for the year ended December 31, 2019

Building a better working world

International Design Group S.p.A.

Consolidated financial statements as at 31 December 2019

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the sole Shareholder of
International Design Group S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of International Design Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 as at 31 December 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.

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 International Design Group 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.

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, 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 International Design Group S.p.A. or to cease operations, or have no realistic alternative but to do so.

EY S.p.A.
Sede Legale: Via Lombardia, 31 - 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
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Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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The statutory audit committee (“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 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 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 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.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010[1]

The Directors of International Design Group S.p.A. are responsible for the preparation of the Report on Operations of International Design Group as at 31 December 2019, including its consistency with the related consolidated financial statements and its 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, with the consolidated financial statements of International Design Group as at 31 December 2019 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of International Design Group as at 31 December 2019 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Brescia, April 28, 2020

EY S.p.A.
Signed by: Stefano Colpani, Independent auditor

This report has been translated into the English language solely for the convenience of international readers.

[1] The Report on Operations of International Design Group as at 31 December 2019 is not included in this Offering Memorandum.

Consolidated Statement of Financial Position as at December 31, 2019

Amounts in thousand Euro	Note	December 31, 2019	December 31, 2018 (restated)
NON-CURRENT ASSETS			
Intangible fixed assets:			
—Goodwill	8	1.052.460	1.052.460(*)
—Other intangible assets	9	587.449	585.976(*)
Right of use	11	44.503	—
Property, plant and equipment	10	111.680	113.222
Investment in affiliated companies	12	18.006	—
Deferred tax assets	13	17.129	16.809(*)
Non-current financial assets	14	3.466	2.791
Other non-current assets		3.077	348
TOTAL NON-CURRENT ASSETS		**1.837.771**	**1.771.606**
CURRENT ASSETS			
Inventories	15	92.152	124.031(*)
Trade receivables	16	68.512	67.563
Tax assets and other current assets:	17		—
—Tax credit and due from tax authorithies	17.1	8.674	9.616
—Other assets	17.2	7.011	6.076
Current financial assets		—	21(*)
Cash and cash equivalents and deposits	18	63.564	73.102
TOTAL CURRENT ASSETS		**239.914**	**280.408**
Assets held for disposal	19	2.511	4.000
TOTAL ASSETS		**2.080.196**	**2.056.015**

Amounts in thousand Euro	Note	December 31, 2019	December 31, 2018 (restated)
SHAREHOLDERS' EQUITY	20		
Share capital		5.102	5.102
Other reserves		986.132	1.005.292
Result for the period		(10.511)	(17.139)(*)
TOTAL GROUP SHAREHOLDERS' EQUITY		**980.723**	**993.255**
Minority shareholders' equity		1.974	5.095
Result attributable to minority interests		930	476
TOTAL SHAREHOLDERS' EQUITY		**983.627**	**998.826**
NON-CURRENT LIABILITIES			
Defined benefit plans	21	7.721	8.064
Provisions for risks and other charges	22	10.350	8.453
Non-current financial liabilities	23	701.860	697.363
Non-current lease financial liabilities	23	38.997	—
Deferred tax liabilities	24	158.984	171.112(*)
Other non-current liabilities	25	752	1.220
TOTAL NON-CURRENT LIABILITIES		**918.665**	**886.212**
CURRENT LIABILITIES			
Current financial liabilities	23	7.499	6.879
Current lease financial liabilities	23	8.341	—
Trade payables	26	93.829	103.553
Contract liabilities	26	30.390	17.777
Tax payables and other current liabilities:	27		—
—Tax payables and due to tax authorities	27.1	11.756	14.283
—Due to social security institutions	27.2	4.617	5.608
—Due to personnel and other payables	27.3	21.470	22.877
TOTAL CURRENT LIABILITIES		**177.904**	**170.977**
TOTAL LIABILITIES		**1.096.569**	**1.057.188**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2.080.196**	**2.056.015**

(*) For the restated amounts please refer to the Notes 1.3 and 7

Consolidated profit and loss statement for the year ended December 31, 2019

Amounts in thousand Euro	Note	December 31, 2019	December 31, 2018 (restated)
Revenues from contracts with customers	28	556.753	48.180
Other revenues and income	29	8.350	1.416
Purchases of raw materials and variation in inventories	30	(218.678)	(22.236)(*)
Personnel costs	31	(110.956)	(9.949)
Service costs	32	(136.798)	(11.450)
Provisions	33	(3.107)	(318)
Other costs and charges	34	(12.969)	(2.953)
Amortization, depreciation and impairment	35	(31.282)	(2.626)
Business combination costs	36	—	(15.452)
Financial income		2.090	303
Financial charges	37	(57.478)	(6.190)
RESULT BEFORE TAX FROM CONTINUING OPERATIONS		**(4.076)**	**(21.276)**
Income taxes	38	(4.906)	4.612(*)
NET RESULT FROM CONTINUING OPERATIONS		**(8.982)**	**(16.664)**
Net profit of discontinued operations		(599)	—
PROFIT/(LOSS) FOR THE PERIOD		**(9.581)**	**(16.664)**
Profit/(Loss) for the period, attributable to minority interest		930	476
Profit/(Loss) for the period, attributable to the Group		(10.511)	(17.139)(*)

(*) For the restated amounts please refer to the Notes 1.3 and 7

Consolidated statement of other comprehensive income (OCI) as at December 31, 2019

(amounts in thousand Euro)	Notes	2019	2018 (restated)
PROFIT/(LOSS) FOR THE PERIOD		**(9.581)**	**(16.664)**
Other comprehensive income (expense) that may be restated in the profit/(loss) for the period:			
Exchange difference on translating foreign financial statements		1.296	(151)
(Loss)/Net profit from cash flow hedge		5	—
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE) THAT MAY BE RESTATED IN THE PROFIT/(LOSS) FOR THE PERIOD, NET OF TAX		**1.301**	**(151)**
Total other comprehensive income (expense) that may not be restated in the profit/(loss) for the period, net of tax:			
(Profit/(Loss) from revaluation on defined benefit plans	21	(220)	21
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE) THAT MAY NOT BE RESTATED IN THE PROFIT/(LOSS) FOR THE PERIOD, NET OF TAX		**(220)**	**21**
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE), NET OF TAX		**1.081**	**(130)**
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE), NET OF TAX		**(8.500)**	**(16.794)**
Profit/(Loss) for the period, attributable to minority interest		945	475
Profit/(Loss) for the period, attributable to the Group		(9.445)	(17.269)

Statement of changes in consolidated shareholders' equity at December 31, 2019

	2018-2019							
	Share Capital	Share premium reserve	Other reserves	Profit for the period	Total Group Shareholders' Equity	Minority shareholders' equity	Net profit attributable to minority interests	Total shareholders' equity
Balance at September 10, 2018	**3**	**—**	**—**	**—**	**3**	**—**	**—**	**3**
Result for the period	—	—	—	(17.139)	(17.139)	—	476	(16.663)
Other income (expenses)	—	—	(129)	—	(129)	(1)	—	(130)
Total comprehensive profit for the period	**3**	**—**	**(129)**	**(17.139)**	**(17.268)**	**(1)**	**476**	**(16.793)**
Transfer / Business combination	5.099	1.005.423	—	—	1.010.522	5.095	—	1.015.617
Balance at December 31, 2018	**5.102**	**1.005.423**	**(129)**	**(17.139)**	**993.255**	**5.095**	**476**	**998.826**
Balance at January 1, 2019	**5.102**	**1.005.423**	**(129)**	**(17.139)**	**993.255**	**5.095**	**476**	**998.826**
Allocation of previous period result	—	—	(17.139)	17.139	—	476	(476)	—
Result for the period	—	—	—	(10.511)	(10.511)	—	930	(9.581)
Other income (expenses)	—	—	1.066	—	1.066	15	—	1.081
Total comprehensive profit for the period	**—**	**—**	**(16.073)**	**6.629**	**(9.445)**	**491**	**454**	**(8.500)**
Dividends	—	—	—	—	—	(801)	—	(801)
Purchase of minority interests	—	—	(4.081)	—	(4.081)	(2.806)	—	(6.888)
Stock option reserve	—	—	943	—	943	—	—	943
Other movements	—	—	52	—	52	(5)	—	47
Total variations for the period	**—**	**—**	**(3.087)**	**—**	**(3.087)**	**(3.612)**	**—**	**(6.699)**
Balance at December 31, 2019	**5.102**	**1.005.423**	**(19.289)**	**(10.511)**	**980.723**	**1.974**	**930**	**983.627**

Consolidated Statement of Cash Flows

(amounts in thousand Euro)	2019	2018 (restated)
PROFIT FROM OPERATIONS AFTER TAX	**(9.581)**	**(16.664)**
Depreciation and impairment of property plant and equipment	12.600	1.171
Amortisation and impairment of intangible assets	8.271	738
Amortisation and impairment of right of use assets	10.411	—
Financial income	(2.090)	(303)
Financial charges	57.478	6.190
Income taxes	4.906	—
Financial interests paid	(50.536)	—
Income taxes paid	(11.818)	—
Other non monetary movements	943	—
Net change in employee severance indemnities and pension funds	(342)	151
Net change in provisions for risks and other charges	1.897	216
Net change in deferred tax assets and liabilities	(10.381)	(1.128)
Operating activities:		
(Increase)/decrease in inventories	31.878	13.994
(Increase)/decrease in trade receivables	(949)	5.335
(Increase)/decrease in other non-financial assets	(2.176)	(923)
Increase/(decrease) in trade payables	2.889	32.688
Increase/(decrease) in tax payables	4.386	4.314
Increase/(decrease) in other non financial liabilities	(2.865)	(45.129)
NET CASH FLOWS FROM OPERATIONS	**44.920**	**650**
Investing activities:		
Acquisition of tangible assets net of disposals	(11.057)	(2.221)
Net investments in intangible assets	(9.744)	(1.318)
Acquisition of non-current financial assets	(18.006)	
Acquisition of non-controlling interests	(6.388)	
Price paid for the acquisition	—	(1.395.071)
Acquired cash	—	79.370
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(45.195)**	**(1.319.240)**
Financing activities:		
(Increase)/decrease of financial receivables	1.435	
Increase/(decrease) in financial payables	(1.824)	381.168
Payment of principal portion of lease liability	(8.701)	
Share capital increase	—	1.010.522
Dividends paid to minority interests	(801)	
Other equity movements	628	
CASH FLOW FROM FINANCING ACTIVITIES	**(9.263)**	**1.391.690**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(9.538)**	**73.100**
Net cash and cash equivalents at the beginning of the period	73.102	3
Net cash and cash equivalents at the end of the period	63.564	73.102

Notes to the Consolidated Financial Statements

1 CORPORATE INFORMATION

The consolidated financial statements of International Design Group S.p.A. (hereafter also "***IDG***" or "***IDG Group***") for the year ended December 31, 2019 has been approved by the Board of Directors on April 14th, 2020.

IDG is a joint stock company, registered and headquartered in Italy, with its registered office in Milan, Via Manzoni 38.

IDG was established on September 10th, 2018 and it is controlled by Design Holding S.p.A. that exercises management and coordination activities.

1.1 COMPANY THAT EXERCISES MANAGEMENT AND COORDINATION ACTIVITIES

As provided by the article 2497-bis of italian Civil Code, the Group is subject to management and coordination activities by its Ultimate Parent Company **Design Holding S.p.A.** (hereafter also "***DH***"), with its registered office in Milan, Via Manzoni 38, Taxpayer ID and registration n. 10446470964, Chamber of Commerce ID. MI-2532182, established on August 1st, 2018.

In the following table the essential figures of last approved financial statements of DH are provided.

It should be noted that the Company whose data is reported prepares the consolidated financial statements.

1.2 STATEMENT OF FINANCIAL POSITION OF THE ULTIMATE PARENT COMPANY THAT EXERCISES MANAGEMENT AND COORDINATION ACTIVITIES

	31/12/2019	31/12/2018
B) Assets		
I—Intangible assets		
1) start-up and expansion costs	21.779	29.039
3) patents and other related rights	36.780	
7) other	8.000	
Total intangible assets	*66.559*	*29.039*
II—Tangible assets		
4) other goods	7.275	
Total tangible assets	*7.275*	
III—Financial assets		
1) Investments in:		
a) subsidiaries	1.012.826.791	1.012.526.191
Total investments	*1.012.826.791*	*1.012.526.191*
Total financial assets	*1.012.826.791*	*1.012.526.191*
Total intangible, tangible and financial assets (B)	*1.012.900.625*	*1.012.555.230*
C) Working capital		
II—Receivables		
2) towards subsidiaries	9.361.674	
due within next financial year	9.361.674	
due beyond next financial year		
5-bis) tax receivables	732.555	21.000
due within next financial year	732.555	21.000
due beyond next financial year		
5-quater) oher receivables	472.581	
due within next financial year	472.581	
due beyond next financial year		
Total receivables	*10.566.810*	*21.000*
IV—Cash and cash equivalents		
1) bank and postal accounts	2.468.236	9.908.451
3) cash on hand	50	
Total cash and cash equivalents	*2.468.286*	*9.908.451*
Total working capital (C)	*13.035.096*	*9.929.451*
D) Prepayments and accruals	**8.903**	
Total assets	*1.025.944.624*	*1.022.484.681*

	31/12/2019	31/12/2018
A) Shareholders' Equity	**1.018.788.724**	**1.020.084.316**
I—Shareholders' Capital	5.152.321	5.152.321
II—Share premium reserve	1.015.361.862	1.015.361.862
VI—Other reserves		
Contributions for future capital increase	22.849	22.849
Other reserves	943.241	-1
Total other reserves	*966.090*	*22.848*
VIII—Retained earnings (losses)	-452.715	
IX—Result for the period	-2.238.834	-452.715
Total Shareholders' Equity	*1.018.788.724*	*1.020.084.316*
B) Provisions for risks and charges		
4) other	900.000	87.671
Total provisions for risks and charges	*900.000*	*87.671*
C) Severance indemnity for employees	**721**	
D) Liabilities		
7) trade payables	3.197.352	2.186.406
due within next financial year	3.197.352	2.186.406
due beyond next financial year		
9) liabilities towards subsidiaries	1.282.645	
due within next financial year	1.282.645	
due beyond next financial year		
12) tax payables	1.142.711	80.245
due within next financial year	1.142.711	80.245
due beyond next financial year		
13) liabilities towards social institutions	147.096	7
due within next financial year	147.096	7
due beyond next financial year		
14) other payables	484.627	46.027
due within next financial year	484.627	46.027
due beyond next financial year		
Total payables	*6.254.431*	*2.312.685*
E) Accrued liabilities and accrued revenue	**748**	**9**
Total Shareholders' Equity and Liabilities	*1.025.944.624*	*1.022.484.681*

	31/12/2019	31/12/2018
A) Revenue from sales and other income		
1) Revenue from contract with customers	4.046.932	
5) Other revenue		
Other	6.044.389	
Total other revenue	*6.044.389*	
Total revenue and other income	*10.091.321*	
B) Operating costs		
6) purchase of raw materials	3.545	30
7) for services	10.554.763	357.740
8) for leases	96.778	
9) personnel costs		
a) salary and wages	309.204	
b) social securities contributions	166.131	
c) employees' severance indemnity	20.427	
e) other costs	1.043.243	
Total personnel costs	*1.539.005*	
10) amortization, depreciation and impairment		
a) amortization of intangible assets	16.780	7.260
b) depreciation of tangible assets	544	
Total amortization, depreciation and impairment	*17.324*	*7.260*
13) other provisions		87.671
14) other costs and charges	20.704	25
Total operating costs	*12.232.119*	*452.726*
Earnings before interests and taxes (A - B)	**-2.140.798**	**-452.726**
C) Financial income and charges		
16) other financial income		
d) other financial income		
other	59	11
Total financial income and charges	*59*	*11*
Total financial income	*59*	*11*
17-bis) gains and losses on foreign exchange	-80	
Total gains and losses on foreign exchange (15+16-17+-17-bis)	*-21*	*11*
Earnings before taxes (A-B+-C+-D)	**-2.140.819**	**-452.715**
20) Taxes of the period and deferred taxes		
taxes for the period	110.000	
income (charges) from joining the tax consolidation	11.985	
Total taxes for the period and deferred taxes	*98.015*	
21) Result (Loss) for the period	**-2.238.834**	**-452.715**

1.3 SIGNIFICANT EVENTS OCCURRED DURING THE YEAR

In the preparation of the consolidated financial statements of 2018, IDG reported provisional figures regarding the fair value of the assets and liabilities acquired in November 2018 when the Group has been formed. In the preparation of the consolidated financial statements as of 31st December 2019, IDG has completed the activities concerning the fair value measurement of assets and liabilities, with the support of an independent expert, and has reviewed the balances at the acquisition date redetermining the value of the Goodwill. As stated by *IFRS 3.49*, these adjustments have been calculated upon the acquisition date (November 2018) and therefore the main consolidated financial statements' schemes have been re-exposed as of 31st December 2018.

In paragraph 7, all the definitive values regarding the business combination and the redetermination of the Goodwill are detailed.

The following table shows the differences on the balance sheet and income statement compared to the consolidated financial statements as of 31st December 2018, approved last year.

(Amounts in thousand Euro)	31.12.2018	PPA adj	31.12.2018 (restated)
NON-CURRENT ASSETS:			
Intangible fixed assets:			
—Goodwill	1.335.380	(282.920)	1.052.460
—Other intangible assets	252.267	333.709	585.976
Property, plant and equipment	113.222		113.222
Deferred tax assets	16.110	699	16.809
Non-current financial assets	2.791		2.791
Other non-current assets	348		348
TOTAL NON-CURRENT ASSETS	**1.720.118**	**51.488**	**1.771.606**
CURRENT ASSETS:			
Inventories	78.548	45.483	124.031
Trade receivables	67.563		67.563
Tax assets and other current assets:	—		—
—Tax credit and due from tax authorithies	9.616		9.616
—Other assets	9.252	(3.176)	6.076
Current financial assets	21		21
Cash and cash equivalents and deposits	73.102		73.102
TOTAL CURRENT ASSETS	**238.101**	**42.307**	**280.408**
Assets held for disposal	4.000		4.000
TOTAL ASSETS	**1.962.220**	**93.795**	**2.056.015**
SHAREHOLDERS' EQUITY:			
Share capital	5.102		5.102
Other reserves	1.006.645		1.006.645
Retained earnings	(1.353)		(1.353)
Result for the period	(11.971)	(5.168)	(17.139)
TOTAL GROUP SHAREHOLDERS' EQUITY	**998.423**	**(5.168)**	**993.255**
Minority shareholders' equity	5.095		5.095
Result attributable to minority interests	476		476
TOTAL SHAREHOLDERS' EQUITY	**1.003.994**	**(5.168)**	**998.826**
NON-CURRENT LIABILITIES:			
Defined benefit plans	8.064		8.064
Provisions for risks and other charges	8.453		8.453
Non-current financial liabilities	697.363		697.363
Deferred tax liabilities	72.149	98.963	171.112
Other non-current liabilities	1.220		1.220
TOTAL NON-CURRENT LIABILITIES	**787.249**	**98.963**	**886.212**
CURRENT LIABILITIES:			
Current financial liabilities	6.879		6.879
Trade payables	103.553		103.553
Contract liabilities	17.777		17.777
Tax payables and other current liabilities:			
—Tax payables and due to tax authorities	14.283		14.283
—Due to social security institutions	5.608		5.608
—Due to personnel and other payables	22.877		22.877
TOTAL CURRENT LIABILITIES	**170.977**	**—**	**170.977**
TOTAL LIABILITIES	**958.225**	**98.963**	**1.057.188**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1.962.220**	**93.795**	**2.056.015**

(Amounts in thousand Euro)	31.12.2018	PPA adj	31.12.2018 (restated)
Revenues from contracts with customers	48.180		48.180
Other revenues and income	1.416		1.416
TOTAL REVENUES	**49.596**	**—**	**49.596**
Purchases of raw materials and variation in inventories	(15.222)	(7.014)	(22.236)
Personnel costs	(9.949)		(9.949)
Service costs	(26.901)		(26.901)
Provisions	(318)		(318)
Other costs and charges	(2.953)		(2.953)
TOTAL COSTS	**(55.344)**	**(7.014)**	**(62.358)**
Amortization, depreciation and impairment	(2.626)		(2.626)
OPERATING PROFIT	**(8.375)**	**(7.014)**	**(15.389)**
Financial income	303		303
Financial charges	(6.190)		(6.190)
RESULT BEFORE TAX FROM CONTINUING OPERATIONS	**(14.262)**	**(7.014)**	**(21.276)**
Income taxes	2.766	1.846	4.612
NET RESULT FROM CONTINUING OPERATIONS	**(11.496)**	**(5.168)**	**(16.664)**
Net profit of discontinued operations	—		—
PROFIT/(LOSS) FOR THE PERIOD	**(11.496)**	**(5.168)**	**(16.664)**
Profit/(Loss) for the period, attributable to minority interest	476		476
Profit/(Loss) for the period, attributable to the Group	(11.971)	(5.168)	(17.139)

The net Equity and the result at December 31, 2018 is reduced by Euro 5.168 thousand as a result of the reversal of part of the surplus value identified in the inventories that were sold in 2018 net of the theoretical fiscal effect.

Inventories as of December 31, 2018 are increased because of the higher value recognized to finished and half-finished products net of the reversal in 2018.

Intangible assets are increased as a result of the higher value recognized to the brands for Euro 333.709 thousand.

Deferred taxes as of December 31, 2018 are increased by Eur 98.963 as a result of the recognition of the theoretical tax effect on surplus values net of the reversal occurred in 2018.

2 ACCOUNTING STANDARDS

The consolidated financial statements of the Group were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The consolidated financial statements were prepared according to the historical cost convention, with the exception of the recognition of derivative financial instruments and of available-for-sale (AFS) financial assets, which are recognized at fair value. The carrying amount of the assets and liabilities subjected to fair value hedging and that would otherwise by recognized at the amortized cost, is adjusted to take into account variations in the fair value attributable to the hedged risks.

The consolidated financial statements are presented in euro and all values are expressed in thousands of euro, unless otherwise directed.

3 CONSOLIDATION PRINCIPLES

The consolidated financial statements comprise the financial statements of International Design Group S.p.A. and of its subsidiaries as at December 31, 2019.

Control is obtained when the Group is exposed or is entitled to variable returns, deriving from its relations with the investee entity and, at the same time, is able to affect such returns by exercising its power over that entity.

Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee entity (i.e. it owns valid rights that currently entitle it to manage the significant activities of the investee entity);
- exposure or rights to variable returns deriving from the relationships with the investee entity;
- the ability to exercise its own power on the investee entity to affect the amount of its returns.

When the Group holds less than the majority of the voting rights (or similar rights) it must consider all relevant facts and circumstances to establish whether it controls the investee entity, including:

- Contractual agreements with other holders of voting rights;
- Rights deriving from contractual agreements;
- Voting rights and potential voting rights of the Group.

The Group reconsiders whether or not it has control of an investee if the facts and circumstances indicate that changes have occurred in one or more of the three elements with relevance for the purposes of the definition of control. The consolidation of a subsidiary starts when the Group obtains control thereof and ceases when the Group loses control. The assets, liabilities, revenues and costs of the subsidiary acquired or sold during the year are included in the statement of comprehensive income from the date on which the Group obtains control until the date on which the Group no longer exercises control of the company.

The profit/(loss) for the year and each of the other comprehensive income are attributed to the shareholders of the parent company and to minority interests, even if this implies that minority interests have a negative balance. When necessary, the appropriate adjustments are made to the financial statements of the subsidiaries, to assure compliance with the group's accounting policies. All assets and liabilities, the shareholders' equity, the revenues, costs and intercompany cash flows relating to transactions between group entities are fully eliminated in the consolidation phase.

Changes in the shareholdings in a subsidiary that do not entail a loss of control are recognized in the shareholders' equity.

If the Group loses control of a subsidiary, it must eliminate the related assets (including goodwill), liabilities, minority interests and the other shareholders' equity components, while any profit or loss is recognised in the income statement. Any retained shareholder shall be recognized at fair value.

Specifically, the companies of the IDG Group included in the scope of consolidation at December 31, 2019 are as follows:

Name of shareholding	Currency	Share capital as at December 31, 2019	Shareholding as at December 31, 2019
Luminous Design Investment ApS	DKK	1.260.101	100%
Luminous Design Denmark ApS	DKK	100.000	100%
P-LP 2014 A/S	DKK	10.000	100%
Louis Poulsen Sweden AB	SEK	600.000	100%
Louis Poulsen Norge AS	NOK	1.500.000	100%
Louis Poulsen Finland OY	EUR	100.000	100%
Louis Poulsen UK Ltd.	GBP	100.000	100%
Louis Poulsen German GmbH	EUR	1.122.583	100%
Louis Poulsen US Inc.	USD	1.000	100%
Louis Poulsen Holland B.V	EUR	300.001	100%
Louis Poulsen Japan Ltd.	JPY	38.500.000	100%
Louis Poulsen Switzerland AG	CHF	500.000	100%
Louis Poulsen Italy Sarl.	EUR	10.000	100%
Louis Poulsen Asia Ltd.	EUR	2.459	100%
Flos S.p.A.	EUR	1.875.000	100%
Antares Iluminacion S.A.U.	EUR	401.000	100%
Flos Illuminacion Shanghai Co. Ltd*	CNY	4.000.000	100%
Antares Iluminacion Pte Ltd*	SGD	100	100%
Ares S.r.l.	EUR	78.000	100%
Flos Benelux NV	EUR	100.000	100%
Flos B.V.	EUR	931.000	100%
Euroformat S.r.l.	EUR	75.000	100%
Flos GmbH	EUR	300.000	100%
Flos Japan Co. Ltd	JPY	40.000.000	100%
Flos Bespoke (ex Light Contract) S.r.l.	EUR	13.000	100%
Flos Milano S.r.l	EUR	100.000	100%
Flos Norge AS	NOK	1.500.000	55%
Flos Roma S.r.l	EUR	31.000	100%
Flos France S.a.s	EUR	61.000	100%
Flos Projets S.ar.l.***	EUR	124.000	100%
Flos Scandinavia A/S	DKK	1.429.000	65%
Flos Sverige AB****	SEK	100.000	65%
Flos Usa Inc.	USD	390.000	100%
Flos UK Ltd	GBP	136.000	100%
B&B Italia S.p.A.	EUR	1.000.000	100%
B&B Italia Usa Inc.- New York	USD	10.000	100%
B&B Italia Munchen Gmbh -Monaco	EUR	150.000	100%
B&B London LTD	GBP	500.000	100%
B&B Asia Pacific Limited	USD	1.000	100%
B&B Contract France Sas	EUR	30.000	100%
B&B Italia Contract Projects Srl	EUR	10.000	100%
B&B Italia Paris Sarl	EUR	50.000	100%
Arclinea Spa	EUR	240.000	100%
B&B Furniture (Shanghai) Co., Ltd	CNY	1.000	100%

* Note 1: 100% of the shareholdings in Flos Iluminacion Shanghai Co. Ltd and in Antares Iluminacion Pte Ltd (Singapur) are held by Antares Iluminacion S.A.U. (ES), consequently the indirect shareholding of the Group is equal to 100%

** Note 2: For Flos Lighting Design (Beijing) Co. Ltd, the liquidation process was completed during the year

*** Note 3: Flos Projets Sàrl was incorporated into Flos France S.a.s in 2019

**** Note 4: The shareholding in Flos Sverige AB is held by Flos Scandinavia A/S, consequently the indirect shareholding of the Group is equal to 65%.

4 SUMMARY OF THE MAIN ACCOUNTING STANDARDS

4.1 BUSINESS COMBINATIONS AND GOODWILL

Business combinations are recognized using the acquisition method. The cost of an acquisition is determined as the sum of the transferred price, measured at fair value as at the acquisition date, and of the amount of the minority interest in the acquired entity. For each business combination, the Group defines whether to measure the minority interest in the acquired entity at fair value or proportionally to the minority interest in the identifiable net assets of the acquired entity. The acquisition cost are expensed in the year and classified among administrative expenses.

When the Group acquires a business, it classifies or designates the financial assets acquired or the liabilities assumed in accordance with the contractual terms, the economic conditions and the other pertinent conditions existing at the date of acquisition. This includes the check to determine whether an embedded derivative has to be separated from the primary contract.

Any potential price to be paid is recognized by the purchaser at fair value at the date of acquisition. The potential price classified as asset is not subject to remeasurement and its subsequent payment is recognized with the shareholders' equity as a balancing entry. The change in the fair value of the potential price classified as asset or liability, as a financial instrument that is in the subject of IFRS 9 Financial Instruments, shall be recognised in the income statement in accordance with IFRS 9. The potential price that is not included in the scope of IFRS 9 is measured at fair value at the date of the financial statements and fair value variations are recognised in the income statement.

Goodwill is initially recognized at the cost represented by the surplus of the set of the price paid and of the amount recorded for minority interests with respect to the identifiable net assets acquired and the liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the set of the price paid, the Group verifies again whether it correctly identified all acquired assets and all assumed liabilities and it revises the procedures used to determine the amounts to be recognized at the acquisition date. If the new measurement again yields a higher fair value of the net assets acquired than the price, then the difference (gain) is recognized in the income statement.

After the initial recognition, goodwill is measured at the cost net of accumulated impairment losses. For the purpose of the impairment test, the goodwill acquired in a business combination is allocated, from the date of acquisition, to each cash-generating unit of the Group expected to benefit from the synergies of the aggregation, regardless of whether other assets or liabilities of the acquired entity are assigned to these units.

If goodwill was allocated to a cash-generating unit and the entity disposes of some of the assets of this unit, the goodwill associated with the disposed asset is included in the carrying amount of the asset when the gain or the loss of the disposal is determined. The goodwill associated with the disposed asset is determined on the basis of the relative values of the disposed asset and of the retained part of the cash-generating unit.

4.2 CURRENT/NON-CURRENT CLASSIFICATION

The assets and liabilities in the financial statements of the Group are classified according to the current/non-current criterion.

An asset is current when:

- it is supposed to be realized, or is held for sale or consumption, in the course of the normal operating cycle;
- it is held mainly for the purpose of trading;
- it is supposed to be realised within twelve months from the closing date of the year; or

- it consists of cash and cash equivalents unless it is forbidden to trade it or use it to extinguish a liability for at least twelve months from the closing date of the year.

All other assets are classified either as non-current and current.

A liability is current when:

- it is expected to be extinguished in its normal operating cycle;
- it is held mainly for the purpose of trading;
- it must be extinguished within twelve months from the closing date of the year; or
- the entity does not have an unconditional right to defer payment of the liability for at least twelve months from the closing date of the year.

The Group classifies all other liabilities as non-current.

Assets and liabilities for deferred tax assets and liabilities are classified among non-current assets and liabilities.

4.3 TRANSLATION OF FINANCIAL STATEMENTS EXPRESSED IN A DIFFERENT CURRENCY FROM THE FUNCTIONAL CURRENCY

The rules for the translation of the financial statements of the subsidiaries expressed in currencies other the Euro, are as follows:

- assets and liabilities are converted using the exchange rates prevailing at the reference date of the consolidated financial statements (December 31);
- costs and revenues are converted at the average exchange rate of the period;
- the translation reserve includes both the exchange differences generated by the conversion of the amounts at a different rate from the closing rate and those generated by the translation of the opening shareholders' equity amounts at a different exchange rate from the one prevailing on the closing date of the reporting period;
- the goodwill and adjustments deriving from fair value related to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate prevailing on the closing date of the period.

The exchange rates applied in the conversion of the asset and liability balances in currencies other than the Euro at December 31, 2019 and the average rates of the period from December 1, 2019—December 31, 2019 are as follows:

		December 31, 2019	
		Exchange rate at the end of the year	Average exchange rate
SEK	Sweden	10,4468	10,5891
NOK	Norway	9,8638	9,8511
GBP	United Kingdom	0,8508	0,87777
USD	US Dollar	1,1234	1,1195
JPY	Japan	121,94	122,0058
CHF	Switzerland	1,0854	1,1124
HK$	Hong Kong Dollar	8,7473	8,7715
CNY	Renminbi (Yuan)	7,8205	7,7355
DKK	Denmark	7,4715	7,4661
SGD	Singapore	1,5111	1,5273

4.4 FAIR VALUE MEASUREMENT

The Group measures non-financial assets at fair value at each reporting date.

The fair value is the price that would be collected for the sale of an asset, or that would be paid for the transfer of a liability, in a regular transaction between market operators at the measurement date.

A measurement of the fair value supposes that the sale of the asset or the transfer of the liability takes place:

a) in the main market of the asset or liability; or

b) in the absence of a main market, in the most advantageous market for the asset or liability.

The main market or the most advantageous market must be accessible for the Group.

The fair value of an asset or liability is measured adopting the assumptions that market operators would use in determining the price of the asset or liability, presuming that they act to best satisfy their own economic interest.

A measurement of the fair value of a non-financial asset considers the capability of a market operator to generate economic benefits employing the asset it its maximum and best use or selling it to another market operator who would employ it in its maximum and best use.

The Group uses measurement techniques that are suitable for the circumstances and for which there are sufficient available to measure fair value, maximizing the use of significant observable inputs and minimizing the use of non-observable inputs.

All assets and liabilities for which the fair value is assessed or exposed in the financial statements are categorized according to the fair value hierarchy, as described below:

- Level 1—The (unadjusted) listed prices in active markets for identical assets or liabilities which the entity can access at the measurement date;
- Level 2—Inputs other than the listed prices included in Level 1, observable directly or indirectly for the assets or for the liability;
- Level 3—Measurement techniques for which the input data are not observable for the asset or for the liability.

The fair value measurement is entirely classified in the same level of the fair value hierarchy in which the lowest input in the hierarchy used for the measurement is classified.

For the assets and liabilities recognised in the financial statements on a recurring basis, the Group determines whether there have been any transfers between the levels of the hierarchy revising the categorization (based on the lowest level input, that is significant for the purposes of the fair value measurement as a whole) at each reporting date.

For the purposes of the information about fair value, the Group determines the classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or of the liability and the level of the fair value hierarchy as illustrated above.

4.5 REVENUE RECOGNITION

Revenue from contracts with customers is recognized when control of the goods and services is transferred to the customer for an amount that reflects the price the Group expects to receive in exchange for such goods or services.

Revenue is recognised to the extent to which it is probable that the economic benefits are achieved by the Group and the related amount can be determined reliably, regardless of the date of collection. Revenue is measured at the fair value of the price received or to be received, taking into account the contractually defined payment terms and excluding taxes and duties. The Group concluded that it is operating on its own behalf in all sales contracts inasmuch as it is the primary debtor, it has discretionality on the price policy and it is also exposed to inventory and credit risk.

4.5.1 SALE OF GOODS

The revenue is recognized when the company has transferred all significant risks and benefits connected to the ownership of the asset to the purchaser, generally on the date of delivery of the goods.

The revenue is valued at the fair value of the consideration received or to be received, net of returns and rebates, commercial discounts and volume reductions. Subsidiaries provide a two-year warranty on repair, in line with industry practice. Customers are not provided with additional guarantees and maintenance contracts.

4.5.2 DIVIDENDS

Dividends are recognized when the right to receive payment is established, which generally corresponds to the time when the Shareholders' Meeting approves their distribution.

4.5.3 RENTAL REVENUES

Rents deriving from property investments are recognized on a straight-line basis over the duration of the existing lease contracts at the balance sheet date and are classified as revenues, taking into account their operational nature.

4.6 INCOME TAXES

4.6.1 CURRENT TAXES

Current taxes of the year are measured for the amount expected to be recovered from or to be paid to the tax authorities. The rates and the tax regulations used to calculate the amount are those promulgated, or substantially in force, at the reporting date in the countries where the Group operates and generates its own taxable income.

Current taxes relating to items recognized directly in the shareholders' equity are also recognized in the shareholders' equity and not in the statement of the profit/(loss) for the period. The Management periodically assesses the position assumed in the income tax return in the cases in which the tax rules are subject to interpretation and, when appropriate, it allocates provisions.

For Ires purposes, IDG S.p.A. and its Italian subsidiaries, for the three-year period 2019-2021, adhere to the national tax consolidation regime, all as subsidiaries consolidated with the Parent Company Design Holding S.p.A., with which a special contract has been entered into to regulate transferred tax contracts.

The national tax consolidation regime, which is governed by the art. 117-129 DPR 917/86, provides a single group tax base at the head of the consolidating company, accordingly:

(i) in the balance sheet, all items relating to the regulation of Ires are classified as intragroup tax reports;

(ii) in the profit and loss, proceeds and/or consolidation costs for the remuneration of the tax accounts, transferred to the consolidator and used by the consolidator as part of the settlement of its taxes, are shown.

4.6.2 DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes are calculated applying the "liability method" to temporary differences at the date of the financial statements between the tax values of the assets and liabilities and the corresponding financial statement values.

Deferred tax liabilities are recognised on all taxable temporary differences, with the following exceptions:

- deferred tax liabilities derive from the initial recognition of the goodwill of an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction itself, influences neither the result of the financial statements nor the result for tax purposes;
- the reversal of taxable temporary differences, associated with equity investments in subsidiaries, associates and joint venture, can be controlled, and it is probable that it will not occur in the foreseeable future.

Deferred tax assets are recognised in view of all deductible temporary differences, of receivables and of unused tax losses that can be carried forward, to the extent to which it is probable that sufficient future taxable income will be available, which will allow utilisation of deductible temporary differences and of receivables and tax losses carried forward, excepting the cases in which:

- the deferred tax asset connected with deductible temporary differences derive from the initial recognition of an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction itself, influences neither the result of the financial statements nor the result for tax purposes;
- in the case of deductible temporary differences associated with equity investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent to which it is probable that they will be reversed in the foreseeable future and that there will be sufficient taxable income that allows to recover these temporary differences.

The carrying amount of deferred tax assets is re-examined at each reporting date and reduced to the extent to which it is no longer probable that in the future there will be sufficient taxable income to allow the receivable to be used in full or in part. Unrecognised deferred tax assets are re-examined at each reporting date and are recognised to the extent to which it becomes probable that taxable income will be sufficient to allow these taxes to be recovered.

Deferred tax assets and liabilities are measured on the basis of the tax rate expected to be applied during the year in which these assets will be realised or these liabilities will be extinguished, considering the rates in force and the ones already promulgated, or substantially in force, on the date of the financial statements.

Deferred taxes relating to elements recognised outside the income statement are also recognised outside the income statement and, hence, in the shareholders' equity or in the statement of comprehensive income, consistently with the element to which they refer.

Deferred tax assets and deferred tax liabilities are offset if there is a legal right that allows to offset current tax receivables and current tax payables, and the deferred taxes refer to the same taxpayer and to the same tax authority.

4.6.3 INDIRECT TAXES

Costs, revenues, assets and liabilities are recognised net of indirect taxes, such as the value added tax, with the following exceptions:

- the tax applied to the purchase of goods or services is not deductible; in this case it is recognised as a part of the purchase cost of the asset or part of the cost recognised in the income statement;
- trade receivables and payables include the applicable indirect tax.

The net amount of the indirect taxes to be recovered or to be paid to the Tax Authorities is included in the financial statements among receivables or among payables.

4.7 ASSETS HELD FOR DISPOSAL

The Group classifies non-current assets as held for sale/disposal if their carrying amount will be recovered mainly with a sale transaction instead of through their continuous use. These non-current assets classified as held for sale are measured at the lower between the carrying amount and their fair value net of selling costs. Selling costs are additional costs directly attributable to the sale, excluding financial costs and taxes.

The condition for classification as held for sale is considered to be met only when the sale is highly probable and the asset for disposal is available for immediate sale in its current conditions. The actions required to complete the sale should indicate that it is improbable that there may be significant changes in the sale or that the sale may be cancelled. The Management must be committed to the sale, whose completion should be expected within one year from the date of classification.

The assets and the liabilities classified as held for sale are presented separately among the current items in the financial statements.

An asset for disposal qualifies as a discontinued operation if it is part of an entity that was disposed or is classified as held for sale, and:

- it represents an important autonomous business unit or geographic business area,
- it is part of a single coordinated plan for the disposal of an important business unit or geographic business area,
- it is a subsidiary acquired exclusively in view of a resale.

Additional information about the assets for disposal is provided in the Note "Assets held for disposal". All the other notes to the financial statement include amounts relating to operating assets, unless otherwise indicated.

4.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and machinery are measured at the cost of purchase or of production, net of the accumulated depreciation and of any accumulated impairment losses. The cost includes ever expense directly incurred to prepare the assets for their use, as well as any disposal and removal expenses that will be incurred consequently to contractual obligations that required bringing the asset back to the original conditions. Any interest expenses incurred for the acquisition, production or construction of the property, plant and machinery are capitalised on the value of the related asset until it is available for use.

The expenses incurred for ordinary and/or cyclical maintenance and repairs are charged directly to the income statement in the year incurred. The capitalisation of costs inherent to the expansion, modernization or improvement of the structural elements owned or used by third parties is made solely to the extent that they meet the conditions for being classified separately as an asset or part of an asset under the component approach method. Similarly, the replacement costs of the identifiable components of complex assets are recognised among the assets and amortised according to their estimated useful life; the residual carrying amount of the replaced component is recognised in the income statement.

The annual depreciation rates, representative of the estimated useful life for categories of tangible assets, are the follows:

	DEPRECIATION RATE
Land and buildings:	
Buildings	3%
Commercial properties	10%
Light construction	10%
Plant and machinery:	
Automatic operating machines	15.5% – 20%
Generic specific and special plants	10% – 15% –30%
Industrial & commercial equipment	
Moulds and equipment	25%
Furniture for stores and events	12%
Other assets:	
Furniture and fixtures for offices	12% – 20%
Electronic office machines	20%
Vehicles and internal transport means	20%
Motor cars	20% – 25%

The useful life of the tangible assets and the residual value are revised and updated, when applicable, at the closing of each year.

When the depreciable asset is composed of distinctly identifiable elements, the useful life of which differs significantly from that of the other parts which compose the asset, depreciation is taken separately for each of the parts which make up the asset under the "component approach" principle.

The profits and losses deriving from sales or disposals of assets are determined as the difference between the sale revenue and the net book value of the disposed or sold asset and are charged to the income statement of the year of accrual.

Improvements to third-party assets are classified in tangible assets, consistently with the nature of the cost incurred. The depreciation period corresponds to the lower between the residual useful life of the tangible asset and the residual duration of the lease agreement.
Land is not depreciated.

4.8.1 LEASING

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and Buildings 2 to 24 years
- Plant and machinery 2 to 8 years
- Industrial and commercial equipment 2 to 5 years
- Other Assets 2 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets (see Notes 4.13—6.2.1).

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in- substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Interest-bearing loans and borrowings (see Notes 11—23).

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4.9 OTHER INTANGIBLE ASSETS

Other intangible assets acquired separately are initially recognised at cost, whereas those acquired through business combinations are recognised at fair value at the date of purchase. After the initial recognition, intangible assets are recognised at cost net of accumulated amortisation and of any accumulated impairment losses. Intangible assets produced internally, with the exception of the development costs, are not capitalised and are recognised in the income statement of the year in which they were incurred.

The useful life of intangible assets is assessed as finite or indefinite.

Intangible assets with finite useful life are amortised throughout their useful life and they are subjected to impairment test every time there are indications of a possible impairment loss. The amortisation period and the amortisation method of an intangible asset with definite useful life is reconsidered at least at the end of each year. Changes in the expected useful life or in the ways with which future economic benefits tied to the asset will be realised are recognised through the change of the period or of the amortisation method, depending on the case, and they are considered changes in accounting estimates. The amortisation rates of intangible assets with definite useful life are recognised in the statement of profit/(loss) for the year in the cost category consistent with the function of the intangible asset.

Intangible assets with indefinite useful life are not amortised, but are annually subjected to impairment test, both at the individual level and at the level of cash generating unit. The assessment of the indefinite useful life is revised annually to determine whether this attribution continuous to be sustainable, otherwise, the change from indefinite useful life to defined useful life is applied prospectively.

The gains or losses deriving from the elimination of an intangible asset are measured from the difference between the net revenue of the disposal and the carrying amount of the intangible asset and are recognised in the profit/(loss) of the year in the year when the derecognition takes place.

4.9.1 RESEARCH AND DEVELOPMENT COSTS

Research costs are allocated in the income statement of the year in which they are incurred. The development costs incurred in relation to a determined project are recognised as intangible assets when the Group is able to demonstrate:

- the technical possibility of completing the intangible asset, so that it is available for use or sale;
- the intention to complete the asset and the Group’s ability to use it or sell it;
- the ways in which the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the ability to reliably asset the cost attributable to the asset during development;
- the ability to use the intangible asset generated.

After the initial recognition, development assets are measured at cost minus amortisation or accumulated impairment losses. The amortisation of the asset starts when development is completed and the asset is available for use. Development activities are amortised with reference to the period of the expected benefits and the related amortisation rates are included in the cost of goods sold.

During the development period the asset is subjected to annual impairment test.

4.9.2 TRADEMARKS, LICENCES AND SIMILAR RIGHTS

Amortisation of Licences is calculated with linear method so as to allocate the cost incurred for the acquisition of the right along the shorter period from the expected utilisation period and the duration of the related agreement starting from the time when the acquired right becomes exercisable. Software licences are amortised with linear method on the period deemed representative of the related useful life, i.e. 5 years.

The amortisation rates of the intangible assets are summarised below.

	DEPRECIATION RATE
Development costs	20% - 33%
Patent rights and intellectual property	20% - 33%
Software Licenses	20%
Trademark registration	10%

4.9.3 TRADEMARK

The brands included in the consolidated balance sheet, present in the balance sheets of the groups of which IDG gained control through the extraordinary transaction that took place in 2018, are represented mainly by the brands "FLOS", "B&B", Maxalto", "Arclinea" and "Louis Poulsen".

Brands have been granted indefinite useful life (and, therefore, it is not subject to the depreciation process), as:

- play a priority role in the Group's strategy and are a primary value driver;
- the company structure, in its concept of organized material goods and organization itself in a broad sense, is strongly related and dependent on the diffusion and development of brands on the markets;
- Trademarks are owned and are correctly registered and constantly protected from a regulatory point of view, with options for renewing legal protection when registration periods expire;
- the products marketed by the Group under these brands are not subject to particular technological obsolescence, as is also characteristic for the "luxury" market in which the Group operates, and indeed, are perceived by the market as constantly innovative and trendy, so as to become models to imitate or to be inspired;
- the brand is characterized, in the national and/or international context, by a market positioning and notoriety that ensures its pre-eminence in the respective market segments being constantly associated and compared to the brands of absolute reference.

As of December 31, 2019, it was considered appropriate to subject the brand to a separate impairment test in order to verify the consistency of the values entered in the budget, with the criteria described below.

4.10 FINANCIAL ASSETS

A financial instrument is any contract originating a financial asset for an entity and a financial liability or an equity instrument for another entity.

i) Financial assets

Initial recognition and measurement

At the time of initial recognition, financial assets are classified, according to the case, on the basis of the subsequent measurement procedures, i.e. at amortised cost, at fair value recognised in other comprehensive income OCI and at the fair value recognised in the income statement.

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 used by the Group for their management. With the exception of trade receivables that do not contain a significant financing component or for which the Group applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value recognised in the income statement, the transaction costs. Trade receivables that do not contain a significant financing component or for which the Group applied the practical expedient are measured at the price of the transaction determined according to IFRS 15. Please refer to the paragraph of the accounting principles (e) Revenue from contracts with customers.

For a financial asset to be classified and measured at amortized cost or at fair value in OCI, where to generate cash flows that depend solely on the principal and interest on the amount of the principal to be repaid ('solely payments of principal and interest (SPPI)'). This assessment is indicated as SPPI test and it is carried out at the instrument level.

The Group's business model for the management of financial assets refers to the way in which it manages its own financial assets to generate cash flows. The corporate model determines whether the cash flows will derive from the collection of contractual cash flows, from the sale of financial assets or from both.

The purchase or the sale of a financial asset that requires its delivery within a time interval generally established by regulation or market convention (standardized or regular way trade) is recognised at the trade date, i.e. the date on which the Group committed to purchase or sell the asset.

Subsequent measurement

For the purposes of the subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value recognised in the statement of comprehensive income with reclassification of earnings and accumulated losses (debt instruments);
- Financial assets at fair value recognised in the statement of comprehensive income without reversal of earnings and accumulated losses at the time of elimination (equity instruments);
- Financial assets at fair value recognised in the income statement.

Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following requirements are met:

- the financial asset is held within the scope of a business model whose objective is possession of financial assets directed at the collection of contractual cash flows and
- the contractual terms of the financial asset provide at determined dates cash flows represented solely by payments of the principal and of the interest on the amount of the principal to be repaid.

Financial assets at amortized cost are subsequently measured using the effective interest criterion and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or revalued.

The Group's financial assets at amortized cost include trade receivables and a loan to a director included in the other non-current financial assets.

Financial assets at fair value recognised in the OCI (debt instruments)

The Group measures debt instrument assets at fair value recognised in the statement of comprehensive income if both of the following conditions are met:

- the financial asset is held within the scope of a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of the financial assets and

- the contractual terms of the financial asset provide at determined dates cash flows represented solely by payments of the principal and interest determined on the amount of the principal to be repaid.

For assets from debt instruments measured at fair value recognised in OCI, the interest income, the changes due to exchange differences and the impairment losses, together with write-backs, are recognised in the income statement and they are calculated in the same way as the financial assets measured at amortized cost. The remaining changes in fair value are recognised in OCI. At the time of derecognition, the cumulative change in fair value recognised in OCI is reclassified in the income statement.

Assets from debt instruments of the Group measured at fair value recognised in OCI comprise the investments in listed debt instruments included in the other non-current financial assets.

Investments in equity instruments

Upon initial recognition, the Group may irrevocably opt to classify its own equity related investments as equity instruments recognised at fair value recognised in OCI when they meet the definition of equity instruments in accordance with IAS 32 "Financial instruments: Presentation" and are not held for trading. The classification is determined for each individual instrument.

The gains and losses achieved on these financial assets are never recognised in the income statement. Dividends are recognised as other revenue in the income statement when the right to payment was resolved, except when the Group benefits from this income as a recovery of part of the cost of the financial asset, in which case these gains are recognised in OCI. Equity investments recognised at fair value in OCI are not subjected to impairment testing.

The Group opted to classify irrevocably its own unlisted equity investments in this category.

Financial assets at fair value recognised in the income statement

This category comprises assets held for trading, assets designated upon first recognition as financial assets at fair values with changes recognised in the income statement, or the financial assets that must mandatorily be measured at fair value. Assets held for trading are all assets acquired for their sale or their repurchase in the short term. Derivatives, including non-embedded ones, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments. Financial assets with cash flows not represented solely by payments of principal and interest are classified and measured at fair value recognised in the income statement, regardless of the business model. In spite of the criteria for debt instruments to be classified at amortized cost or at fair value recognised in OCI, as described above, debt instruments can be recorded at fair value recognised in the income statement at the time of initial recognition if this entail the derecognition or the significant reduction of an accounting misalignment.

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 recognised in the statement of profit/(loss) for the year.

This category includes the derivative instruments and the listed equity investments the Group has not irrevocably chosen to classify at fair value recognised in OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit/(loss) for the year when the right to the payment has been established. The embedded derivative contained in a hybrid non-derivative contract, in a financial liability or in a non-financial main contract, is separated from the main contract and accounted for as a separate derivative, if: its economic characteristics and the risks associated therewith are not closely related to those of the main contract; a separate instrument with the same terms as the embedded derivative would satisfy the definition as a derivative; and the hybrid contract is not measured at fair value recognised in the income statement. Embedded derivatives are measured at fair value, with changes in fair value recognised in the income statement. A redetermination takes place only if there is a change in the terms of the contract that significantly changes the cash flows otherwise expected or a reclassification of a financial asset to a different category from fair value in the income statement.

An embedded derivative included in a hybrid contract that contains a financial asset is not separated from the host contract. The financial asset together with the embedded derivative is classified internally as a financial asset at fair value recognised in the income statement.

Write-off

A financial asset (or, when applicable, part of a financial asset or part of a group of similar financial assets) is written off in the first place (e.g. removed from the statement of financial position of the Group) when:

- the rights to receive the cash flows from the assets are extinguished, or
- the Group transferred to a third party the right to receive cash flows from the asset or assumed the contractual obligation to pay them in full and without delay and (a) transferred substantially all risks and benefits of the ownership of the financial asset, or (b) did not transfer or retained substantially all the risks and benefits of the asset, but it transferred control thereof.

If the Group transferred the rights to receive cash flows from an asset or executed an agreement whereby it maintains the contractual rights to receive the cash flows of the financial asset, but it assumes a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), it assesses whether and to which extent it maintained the risks and the benefits inherent to possession. If it did not transfer or retained substantially all risks and benefits or it did not lose control thereon, the asset continues to be recognised in the financial statements of the Group to the extent of its residual involvement in the asset. In this case, the Group also recognises an associated liability. The transferred asset and the associated liabilities are measured so as to reflect the rights and the obligations that remain the Group's.

When the residual involvement of the entity is a guarantee on the transferred asset, the involvement is measured on the basis of the lesser between the amount of the asset and the maximum amount of the consider received which the entity may have to repay.

Impairment of financial assets

Additional information about the impairment of financial losses is also provided in the note "Discretionary assessments and significant accounting estimates".

The Group records an impairment for expected losses (expected credit loss, 'ECL') for all financial assets represented by debt instruments not held at fair value recognised in the income statement. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows the Group expects to receive, discounted at an approximation of the original effective interest rate. The cash flows will include the cash flows deriving from the enforcement of the collateral held or of other guarantees on the receivable which are integral parts of the contractual conditions.

The expected losses are recognised in two steps. In relation to the credit exposures for which there was not significant increase of the credit risk from the initial recognition, it is necessary to recognise the losses on receivables that derive from the estimation of default events that are possible within the subsequent 12 months (12-month ECL). For the credit exposures for which there was a significant increase of the credit risk from initial recognition, it is necessary to fully recognise the expected losses that refer to the residual duration of the exposure, regardless of the time when the default event is forecast to occur ("Lifetime ECL").

For trade receivables and assets deriving from contracts, the Group applies a simplified approach in the calculation of the expected losses. Therefore, the Group does not monitor changes to the credit risk, but it fully recognises the expected loss at each reference date. The Group defined a matrix system based on historical information, revised to consider prospective elements with reference to the specific types of debtors and their economic environment, as an instrument for determining the expected losses.

For assets represented by debt instruments measured at fair value recognised in OCI, the Group applies the simplified approach allowed for assets with low credit risk. At each reference date of the financial statements, the Group assesses whether the debt instrument has a low credit risk using all the available information that can be obtained without excessive costs or efforts. In carrying out the assessment, the Group monitors the credit rating of the debt instrument.

The financial assets represented by debt instruments held by the Group measured at fair value recognised in OCI comprise exclusively listed bonds classified in the best categories of credit rating and, hence, they are considered investments with low credit risk. The Group's policy is to measure the expected losses in the subsequent 12 months on these instruments on an annual basis. However, when a significant increase of the credit risk occurred, the Group fully recognises the expected losses that refer to the residual duration of the exposure.

The Group considers a financial asset to be in default when the contractual payments have been past due for 90 days. In some cases, the Group can also consider that a financial asset is in default when internal or external information indicate that it is improbable that the Group will fully recover the contractual amounts before considering the guarantees on the credit held by the Group. A financial asset is written off when there is no reasonable expectation of recovery of the contractual cash flows.

4.11 FINANCIAL LIABILITIES

Recognition and initial measurement

Financial liabilities are classified, at the time of the initial recognition, among financial liabilities at fair value recognised in the income statement, among mortgages and loans, or among derivatives designated as hedging instruments.

All financial liabilities are initially recognised at fair value to which are added, in the cases of mortgages, loans and payables, the transaction costs directly attributable thereto.

The financial liabilities of the Group comprise trade payables and other payables, mortgages and loans, including current account overdrafts and derivative financial instruments.

Subsequent measurement

The assessment of financial liabilities depends on their classification, as described above:

Financial liabilities at fair value recognised in the income statement

Financial liabilities recognised at fair value with changes recognised in the income statement comprise liabilities held for trading and financial liabilities initially recognised at fair value with changes recognised in the income statement.

Liabilities held for trading are all those assumed with the intention of extinguishing them or transferring them in the short term. This category also includes the derivative financial instruments entered into by the Group which are not designated as hedging instruments in a hedging relationship defined by IFRS 9. Embedded derivatives, separated from the main contract, are classified as financial instruments held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit/(loss) for the year.

Financial liabilities are designated at fair value with changes recognised in the income statement from the date of initial recognition, only if the criteria of IFRS 9 are met. At the time of the initial recognition, the Group did not designate financial liabilities at fair value with changes recognised in the income statement.

Loans and receivables

This category is the most significant for the Group. After the initial recognition, loans are measured with the amortized cost criterion using the effective interest rate method. Gains and losses are recognised in the income statement when the liability is extinguished, as well as through the amortization process.

The amortized cost is calculated noting the discount or the bonus on the acquisition and the fees or costs that are an integral part of the effective interest rate. Amortization at the effective interest rate is included among financial expenses in the statement of profit/(loss). This category generally includes interest-bearing receivables and loans.

Write-off

A financial liability is written off when the obligation underlying the liability is extinguished, voided or fulfilled. If an existing financial liability is replaced by another one of the same lender, at substantially different conditions, or the conditions of an existing liability are substantially amended, this exchange or amendment is treated as an accounting write-off the original liability, accompanied by the recognition of a new liability, with recognition in the statement of profit/(liability) of the year of any differences between the carrying amounts.

Offsetting of financial instruments

A financial asset and liability can be offset and the net balance exposed in the statement of financial position, if there is a current legal right to offset the amounts recognised in the financial accounts and there is the intention of extinguishing the net residue, or realising the asset and concurrently extinguishing the liability.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as: forward foreign exchange contracts, interest rate swaps and forward commodity acquisition contracts to cover respectively, its own currency exchange rate risks, the interest rate risks and the commodity price risks. These derivative financial instruments are initially recognised at fair value at the date on which the derivative contract is entered into and, subsequently, they are again measured at fair value. Derivatives are recorded as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For hedge accounting purposes, there are three types of hedges:

- fair value hedging in case of hedge of the exposure against changes of the fair value of the asset or liability recognised or unrecorded irrevocable commitment;
- cash flow hedging in case of hedge of the exposure against the variability of the cash flows attributable to a particular risk associated with all assets or liabilities recognised or to a highly probable planned transaction or the foreign currency risk on unrecorded irrevocable commitment;
- hedge of a net investment in a foreign management.

4.12 INVENTORIES

Inventories are measured at the lower amount between the cost and the value of presumable net realisation.

The costs incurred to bring each good to the current place and conditions are recognised as follows:

- the cost of inventories is based on the weighted average cost method, with the exception of the LP Group that measures inventories with the FIFO criterion;
- the cost of production is determined including all costs directly attributable to the products, general production costs, defined on the basis of the normal production capacity, excluding the financial expenses.

The LP method does not generate significant differences with respect to the weighted average cost method. For the part of inventory deemed no longer usable economically, or with an assumed realisation value that is lower than the cost recognised in the financial statements, a dedicated write-down provision is allocated.

4.13 IMPAIRMENT OF NON-FINANCIAL ASSETS

At every reporting date, the Group assesses the existence of any indicators of asset impairment losses. In this case, or in cases requiring an annual impairment test, the Group estimates the recoverable value. The recoverable value is the higher amount between the fair value of the asset or cash-generating unit, net of selling costs, and its value in use. The recoverable value is determined by individual asset, except when the asset generates cash flows that are not broadly independent of those generated by other assets or groups of assets. If the carrying amount of an asset is greater than its recoverable value, the asset has undergone an impairment and it is consequently written down to its recoverable value.

In calculating the value in use, the Group discounts estimated future cash flows to present value using a discount rate before taxes, which reflects current market assessments of the time value of money and the risks specific to the asset. In calculating fair value net of selling costs, recent transactions carried out on the market are taken into account. If these transactions cannot be identified, an adequate valuation model is used. These calculations are supported by appropriate valuation multipliers, prices of listed equities for investees whose securities are traded on the market, and other available fair value indicators.

The Group bases its impairment test on detailed budgets and forecast calculations, prepared separately for each cash-generating unit of the Group to which individual assets are allocated. These budges and forecast calculations generally cover a period of five years. In case of longer periods, a long-term growth rate is calculated, which is used to project future cash flows beyond the fifth year.

For acquisitions occurred in proximity to the end of the year, the group could determine the recoverable value calculating the fair value of the asset to be evaluated.

Impairment losses of operating assets, including the impairment losses of inventories, are recognised in the statement of profit/(loss) for the year in the cost categories consistent with the destination of the asset that underwent the impairment loss. Fixed assets previously revalued are an exception, if the revaluation was recognised among the other comprehensive income. In these cases, the impairment loss is in turn recognised among the other comprehensive income up to the previous revaluation.

For assets other than goodwill, at each reporting date the Group assesses the existence of any indications that the previously recognised impairment losses no longer apply (or were reduced) and, if there are such indications, it estimates the recoverable value of the asset or of the CGU. The value of an asset that was previously written down may be restored only if there were changes in the assumptions on which the calculation of the determined recoverable value was based, subsequent to the recognition of the last impairment loss. The write-back may not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised in previous years. The write-back is recognised in the statement of profit/(loss) for the year unless the asset is recognised at the written-back value, in which case the write-back is treated as a revaluation increase.

The following criteria are used to account for impairment losses relating to specific types of assets:

4.13.1 GOODWILL

Goodwill is tested for impairment at least once a year (as at December 31) and, with greater frequency, when the circumstances lead to believe that the book value could be subject to impairment loss.

The impairment loss of the goodwill is determined measuring the recoverable value of the cash-generating unit to which the goodwill is connected. When the recoverable value of the cash-generating unit were lower than the carrying amount of the cash-generating unit to which goodwill was allocated, an impairment loss is recognised. The write-down of the value of goodwill may not be restored in future years.

4.14 CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

Cash and cash equivalents and short-term deposits comprise cash at hand and short-term deposits on demand with maturity within three months.

For the purposes of representing the consolidated statement of cash flows, cash and cash equivalents are represented by cash as defined above, net of bank overdrafts.

4.15 TREASURY SHARES

Treasury shares bought back are recognised at cost and subtracted from shareholders' equity. The purchase, the sale or sale or write-off of treasury shares did not give rise to any profit or loss in the income statement. The difference between the acquisition value and the consideration, in case of re-emission, is recognised in the share premium reserve. If options on shares were exercised in the period, they are satisfied with treasury shares.

4.16 PROVISIONS FOR RISKS AND CHARGES

The Group recognises provisions for risks and charges when:

- it has a legal or implied obligation to third parties, resulting from a past event;
- it is probable that it will become necessary to use the Group's resources to fulfill the obligation;
- a reliable estimate of the amount of the obligation can be obtained.

Allocations are recognised at the present value, if the financial element (or time value) is significantly appreciable, using a discount rate that reflects the specific risks of the liabilities. When discounting is carried out, the increase in the allocation due to the elapsing of time is recognised as a financial expense. Changes in estimates are reflected in the income statement of the period in which the change took place.

5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES CONTINUED

The Group applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces the standards 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 Involving the Legal Form of a Lease.

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of lease agreements and requires lessees to account for all lease agreement following a single accounting model in the financial statements similar to the accounting treatment of financial leases regulated by IAS 17.

The standard includes two exemptions to recognition for lessees—leases of "low value" assets (e.g. personal Computers) and short-term lease agreements (i.e. lease agreements with a lease period shorter than or equal to 12 months). At the starting date of a lease, the lessee shall recognize a liability relating to lease fees (i.e. the liability for the lease) and an asset that represents the right to use the underlying asset during the duration of the lease (i.e. the right to use the asset). Lessee shall separately recognize interest expenses on the liability for the lease and amortization on the right of use.

Lessees shall also be required to reconsider the amount of the liability relating to the lease upon occurrence of determined events (e.g., a change of the duration of the lease, a change of the future fees deriving from the change of an index or of the rate used to determine such payments). In general, the lessee shall recognize the re-measurement difference of the amount of the lease liability as an adjustment to the right of use.

The accounting method for the lessor consistent with IFRS 16 remains substantially unchanged with respect to the current accounting policies according to IAS 17. Lessors shall continue to classify all leases using the same classification principle of IAS 17 and will distinguish two types of leases: operating and financial leases.

IFRS 16, which is effective from years beginning from January 1, 2019, requires lessees and lessors to provide broader disclosure compared to IAS 17.

The Group used the exemptions proposed by the standard on lease agreements for which the term of the lease agreement expire within 12 months from the date of initial application and the lease agreements for which the underlying asset has a low value.

The multi-year duration of the agreements required the exercise of a complex professional judgement by the Corporate Management for the definition of the assumptions to be adopted for the purposes of determining the impacts connected with the new provisions of the standard.

In particular, the main assumptions adopted regard:

- the assessment of the periods covered by extension or early termination options for the purposes of the determination of the duration of the lease agreement; the separation of the non-lease components;
- the assessment of the periods covered by extension or early termination options for the purposes of the determination of the duration of the lease agreement;
- the discounting rate used for determining the lease liability, represented by the incremental financing rate of the lessee. This rate was defined taking into account the duration of the lease agreements, the currency in which they are denominated and the characteristics of the economic environment in which lessees operate, defined on the basis of the country risk premium attributed to the individual countries in which the Group operates. At present, the range of these discount rates is between 4% and 5.6%.

The Group took the option to recognize the effect connected to the retroactive redetermination of the values in the shareholders' equity as of January 1, 2019, without restating the previous years provided for comparison (modified retrospective approach).

Impact on the consolidated statement of financial position (increase/(decrease)):

Right of use asset	50.328
Write off of deferred rent	(1.049)
Non current financial lease liability	41.211
Current financial lease liability	9.118

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the consolidated financial statements as the Group does not have long- term interests in its associate and joint venture.

Annual Improvements 2015-2017 Cycle

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

IFRS 11 Joint Arrangements

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3.

The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

5.1 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

6 DISCRETIONARY VALUATIONS AND SIGNIFICANT ACCOUNTING ESTIMATES

Preparation of the Group's financial statements requires directors to make discretionary valuations, estimates and hypotheses that influence the values of revenues, costs, assets and liabilities and the related disclosure, as well as the indication of potential liabilities. Uncertainty about assumptions and estimates could lead to outcomes that will require, in the future, a significant adjustment to the carrying amount of these assets and/or liabilities.

6.1 DISCRETIONARY VALUATIONS

In applying Group accounting standards, the directors made decisions based on the following discretionary valuations (excluding those entailing estimates) with a significant effect on the values recorded in the financial statements.

6.2 USE OF ESTIMATES

Illustrated below are the assumptions pertaining to the future and the other main causes of uncertainty in the estimates that, as at the end of the financial year, present the relevant risk of giving rise to significant adjustments of the accounting values of the assets and liabilities within the following year. The Group based its estimates and assumptions on parameters available at the time of preparation of the consolidated financial statements. However, the current circumstances and assumptions on future development could be modified because of changes in the market or of events outside the Group's control. If these changes take place, they will be reflected in the assumptions.

6.2.1 IMPAIRMENT OF NON-FINANCIAL ASSETS

An impairment occurs when the carrying amount of an asset or of a cash-generating unit exceeds its recoverable value, which is the higher amount between the fair value net of selling costs and its value in use. Fair value net of selling costs is the amount obtainable from the sale of an asset or of a cash-generating unit in a free transaction between informed and willing parties, minus the costs of the disposal. The calculation of the value in use is based on a cash flow discounting model. Cash flows are derived from the budget of the four subsequent years and do not include restructuring activities for which the Group has not yet committed or significant future investments that will increase the results of the assets comprising the cash-generating unit being measured. The recoverable value depends markedly on the discount rate used in the cash flow discounting model, as well as on cash flows expected in the future and on the growth rate used for extrapolation.

6.2.2 ALLOCATION FOR IMPAIRMENT OF TRADE RECEIVABLES AND CONTRACTUAL ASSETS

The Group uses a matrix to calculate ECLs for trade receivables and contractual assets. The allocation rates are based on the days overdue for each class of customers grouped in the various segments that have similar historical loss patterns (e.g., by geographic area, type of product, type of customer, rating and guarantees).

The matrix is initially based on the observed historical insolvency rates of the Group. The Group will calibrate the matrix to refine the historical data on credit losses with forecast elements.

The assessment of the correlation between the historical insolvency rates, the forecast economic conditions and the ECLs is a significant estimate. The amount of ECL is sensitive to changes to circumstances and to the expected economic conditions. The historical experience on the pattern of the Group's credit losses and the forecast of future economic conditions may not be representative of the customer's actual insolvency in the future.

6.3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND CRITERIA

The Group's main liabilities comprise trade receivables, loans and other payables. The main objective of these liabilities is finance the operational activities of the Group. The Group has trade and non-trade receivables, other receivables, cash and cash equivalents and short-term deposits that originate directly from the operating activities.

The Group is exposed to market risk (interest and exchange rate risk), to credit risk and to liquidity risk. Group management is tasked with managing these risks. The Board of Directors shall review and approve the management policies of each of the risks exposed below.

6.3.1 INTEREST RATE RISK

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will be changed because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates is related firstly to long-term debt with variable interest rate.

6.3.2 EXCHANGE RATE RISK

The exchange rate risk is the risk that the fair value or the future cash flows of an exposure will be changed because of changes in exchange rates. The Group's exposure to the risk of changes in the exchange rates refer mainly to the operating activities of the Group (when the revenue or costs are denominated in a foreign currency) and to the Group's net investments in foreign subsidiaries.

Although the Group has a strong international connotation, use of the Euro as a transnational currency for most transactions almost entirely eliminates the risk tied to exchange rate changes.

The Group is mainly exposed for positions denominated Euro, Danish Krone, Yen and US Dollar; however, the volumes are not such as to have any significant impacts on the Group's financial and economic results. Consequently, no analysis was carried out on sensitivity to changes in exchange rates.

6.3.3 CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations tied to a financial instrument or to a commercial agreement, thus leading to a financial loss. The Group is exposed to the credit risk deriving from its operating activities (mostly for trade receivables and credit notes) and including deposits with banks and financial institutions.

The credit risk correlated to commercial counterparties is managed by the individual subsidiaries and monitored centrally by the Group Administrative Office. The Group has no significant credit risk concentrations. However, procedures are in place to ensure that sales of products and services are carried out to customers with high reliability, taking into account their financial position, past experience and other factors. Credit limits on main customers are based on internal and external valuations on the basis of thresholds approved by the head offices of the individual countries. Use of credit limits is monitored periodically.

The currently existing customer list comprises the main market players, with maximum reliability credit ratings. Therefore, no actions to hedge this risk were planned beyond the normal procedures and checks used for credit risk management.

There are no receivables overdue for over 12 months, unless they are offset by a provision.

6.3.3.1 FINANCIAL INSTRUMENTS AND BANK DEPOSITS

Concerning the credit risk relating to the management of financial resources and cash, the risk is monitored by the Group Administrative Office, which implements procedures directed at ensuring the Group companies have dealings with high, safe profile independent companies.

6.3.4 LIQUIDITY RISK

The Group monitors the risk of a lack of liquidity using a liquidity planning tool.

The Group is not significantly exposed to this type of risk because the capital and financial structure of the Group is sound.

6.3.5 HEALTH RISKS

The global outbreak of the coronavirus ("Covid-19") resulted in a widespread health crisis that adversely affected the economies and financial markets of many countries, particularly of regions from which we derive a significant amount of our revenues, including Europe and North America. Various governments in Europe and North America (including Italy, Spain and the United States) adopted several measures in an effort to contain the spread of Covid-19. We continue to monitor our operations and government recommendations and have adopted several operational measures to react to Covid-19 related issues. For example, we have implemented health and safety precautions in all locations, plants, offices and shops. In addition, as a result of the deteriorating conditions due to the spread of the pandemic, on March 16, 2020, we decided to suspend all production activities in Italy and, thereafter, all retail activities in Europe and, more recently, both production and retail activities in the United States. If significant portions of our workforce continue to be unable to work effectively and our facilities remain closed for a protracted period of time due to government measures, our operations could be materially impacted. We may be unable to perform fully on our contracts and some of our costs may not be fully recoverable or adequately covered by insurance.

The continued spread of Covid-19 may also cause disruption in our supply chain and limit the ability of our customers to perform under their existing contracts, including making timely payments to us, as well as cause other unpredictable events. In addition, a prolonged general shutdown of retail operations as a result of the restrictive measures imposed by the government in Italy and the other countries where we operate, will likely adversely affect employment rates and consumer spending in the impacted regions, which in turn would adversely affect our business and results of operations.

Furthermore, the resulting volatility in the global capital markets could restrict our access to capital and/or increase our cost of capital. We cannot guarantee that Covid-19 or any future outbreak of another virus or other contagious disease will not have a material adverse effect on our business and results of operations.

As at the date hereof, it is not possible to predict when the government restrictions in the countries where we operate will be lifted and when we will be able to open our facilities and retail locations.

6.4 COMMITMENTS AND RISKS

6.4.1 GUARANTEES AND COMMITMENTS

Following the subscription of the Bond, the following real guarantees summarized below have been subscribed.

Act of pledge on current accounts of International Design Group SpA, signed on November 22, 2018, established by International Design Group SpA, to guarantee, inter alia, the loan agreement for Euro 100 million subscribed on November 9, 2018 and the issue bond of International Design Group SpA of Euro 720 million in favor of, inter alios, UniCredit SpA, as representative of the secured creditors envisaged therein;

Act of transfer under guarantee, signed on December 17, 2018, of intra-group receivables deriving from, inter alia, Proceeds Loan Agreements claimed by International Design Group S.p.A. towards Flos S.p.A., B&B Italia S.p.A. and Luminous Designs Investments ApS, as a guarantee, inter alia, of the loan agreement of Euro 100 million subscribed on November 9, 2018 and the bond issue of International Design Group S.p.A. of Euro 720 million in favor of, inter alios, UniCredit SpA, as representative of the secured creditors envisaged therein;

Act of pledge on shares of Flos S.p.A. signed on December 17, 2018 consisting of International Design Group S.p.A.to guarantee, inter alia, the loan agreement for Euro 100 million signed on November 9, 2018 and the bond issue of International Design Group S.p.A. of Euro 720 million in favor of, inter alios, UniCredit SpA, as representative of the secured creditors envisaged therein;

Act of pledge on shares of B&B Italia S.p.A. signed on 17 December 2018 consisting of International Design Group S.p.A., to guarantee, inter alia, the loan agreement for Euro 100 million subscribed on 9 November 2018 and the bond issue of International Design Group S.p.A. of Euro 720 million in favor of, inter alios, UniCredit SpA, as representative of the secured creditors envisaged therein;

Pledge on Luminous Designs Investments ApS shares subscribed on December 17, 2018 by International Design Group SpA, to guarantee, inter alia, the loan agreement for Euro 100 million signed on November 9, 2018 and the International Design bond issue Group SpA of Euro 720 million in favor of, inter alios, UniCredit SpA, as representative of secured creditors provided for therein.

7 BUSINESS COMBINATIONS

On November 22, 2018, through a series of extraordinary transactions, the company obtained control of three groups: Flos Group, B&B Group and Louis Poulsen Group.

The net assets recognized in the financial statements as of December 31, 2018 were based on provisional valuations of their fair value, while the Group sought an independent valuation for intangible assets and inventories. This assessment had not yet been completed as of the approval date of 2018 financial statements.

The independent assessment has been completed in time for the approval of 2019 financial statements and the fair value of assets and liabilities upon the acquisition date is shown below:

	Fair value of Flos Group recognised upon acquisition (restated)	Fair value of B&B Group recognised upon acquisition (restated)	Fair value of LP Group recognised upon acquisition (restated)
Assets			
Property, plant and equipment	56,091	45,972	10,000
Goodwill	354,866	146,764	287,999
Other intangible assets	148,491	81,562	21,648
Deferred tax assets	5,741	5,236	1,522
Other non-current assets	1,229	1,753	702
Cash and cash equivalents	33,962	33,789	11,619
Trade receivables and other receivables	37,874	24.849	17,304
Inventories	33,081	39,749	12,698
Other current assets	4,528	6,308	—
Available-for-sale assets	—	4,000	—
	675,863	**389,982**	**363,492**
Liabilities			
Provisions for risks and charges	(4,510)	(3,421)	(306)
Net liabilities for defined benefits to employees	(2,670)	(3,592)	(1,650)
Loans and borrowings	(125,491)	(90,669)	(103,406)
Other non-current liabilities	(1,019)	—	(865)
Deferred tax liabilities	(41,139)	(25,737)	(4,947)
Trade payables and other payables	(30,899)	(54,880)	(11,083)
Other current liabilities	(29,820)	(25,537)	(13,034)
	(235,548)	**(203,836)**	**(135,292)**
Total net assets identifiable at fair value	**440,315**	**186,146**	**228,201**
Reversal of pre-existing goodwill	(354,866)	(146,764)	(287,999)
Non-controlling interests at fair value	(4,407)	(717)	—
Goodwill deriving from the acquisition	575,213	469,028	291,139
Consideration of the acquisition/transfer	**656,255**	**507,693**	**231,341**

The 2018 comparative information was restated to reflect the adjustment to the provisional amounts. The main adjustments are shown below.

	Fair value recognised upon acquisition	Adjustment
FLOS		
Flos Trademark	244.139	100.639
Inventories	66.931	33.850
Deferred taxes	(78.661)	(37.522)
LOUIS POULSEN		
LP Trademark	123.313	111.441
Inventories	18.926	6.228
Deferred taxes	(30.834)	(25.887)
B&B		
B&B Trademark	141.703	86.153
Maxalto Trademark	40.862	17.296
Arclinea Trademark	18.181	18.181
Inventories	52.169	12.420
Deferred taxes	(63.137)	(37.400)

8 GOODWILL

The total value of goodwill amounts to Euro 1.052.460 thousand and its breakdown is as follows:

	December 31, 2019	December 31, 2018 (restated)
Goodwill from acquisition of Flos S.p.A. Group	478.246	478.246
Goodwill from acquisition of B&B Group	372.379	372.379
Goodwill from acquisition of Louis Poulsen Group	201.835	201.835
Total	**1.052.460**	**1.052.460**

8.1 IMPAIRMENT TEST ON GOODWILL AND ON INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

In accordance with IAS 36, Goodwill is not subject to amortisation and it is tested for impairment at least once a year.

For *impairment* test purposes, Goodwill is allocated to the following Cash Generating Units, CGUs: Flos, B&B and Louis Poulsen.

The recoverable amount of each CGU (FLOS, B&B and Louis Poulsen) has been determined based on the calculation of the value in use, in which the projections of the cash flows were those approved by the management and of a period of 5 years.

The calculation of the value in use is particularly sensitive to the following assumptions:

- revenue trend;
- marginality;
- discount rate;
- growth rate used to extrapolate cash flows beyond the forecast period.

The discount rate before taxes used for the projections of cash flows is 8% and the cash flows beyond 5 years have been extrapolated by using a growth rate of 2%.

Upon completion of these analyses, the recoverable amount of the Goodwill was higher than its book value.

The management has prepared an alternative scenario to verify the effects of this latter on the assets' value.

For Flos, the alternative scenario foresaw in 2020 a reduction in revenue of 17.8%, compared to the final figures for 2019, partially recovered in the following years with a year of delay than the normal scenario, a margin in 2020 lower of 30% compared to 2019 and investments reduced by approximately Euro 3.7 Million in 2020. In this scenario, the recoverable value of Goodwill was in any case higher than the book value.

For B&B, the alternative scenario provided, in 2020, a reduction in revenue of 10.3% compared to the final figures for 2019, partially recovered in the following years with a year of delay than the normal scenario, a margin in 2020 of 18.4% lower than 2019 and investments reduced by around Euro 2.0 Million in 2020 and by Euro 2.4 million in 2021, partially recovered in subsequent years. In this scenario, the recoverable value of Goodwill was equal to the book value.

For Louis Poulsen, the alternative scenario envisaged, in 2020, a reduction in revenue of 13.7% compared to the final figures for 2019, a margin in 2020 of 19.5% lower than 2019 and reduced investments of about Euro 2.0 Million in 2020. In this scenario, the recoverable value of Goodwill was in any case higher than the book value.

9 OTHER INTANGIBLE ASSETS

The amount as at December 31, 2019 totals Euro 587.449 thousand and includes the following:

	DEVELOPMENT COSTS	INDUSTRIAL PATENT AND INTELLECTUAL PROPERTY RIGHTS	CONCESSIONS, LICENCES AND TRADEMARKS AND OTHER INTANGIBLE ASSETS	TRADEMARK	TOTAL INTANGIBLE ASSETS EXCLUDING GOODWILL
NET BOOK VALUE as of January 1, 2018	**5.775**	**2.481**	**8.341**	**568.812**	**585.409**
HISTORICAL COST as of January 1, 2018	**24.466**	**14.921**	**18.360**	**568.812**	**626.559**
Increases	505	275	675		1.455
Decreases	—			—	—
Exchange rate difference	(1)	2	(6)	—	(5)
Other changes			(139)		(139)
HISTORICAL COST as of December 31, 2018	**24.970**	**15.198**	**18.890**	**568.812**	**627.870**
ACCUMULATED AMORTISATION as of January 1, 2018	**18.691**	**12.440**	**10.019**	**—**	**41.150**
Increases	339	232	166	—	737
Decreases	—	—	—	—	—
Exchange rate difference	2	3	3	—	8
Other changes	—	—	—	—	—
ACCUMULATED AMORTISATION as of December 31, 2018	**19.032**	**12.675**	**10.188**	**—**	**41.895**
NET BOOK VALUE as of December 31, 2018 (restated)	**5.938**	**2.523**	**8.702**	**568.812**	**585.976**

	DEVELOPMENT COSTS	INDUSTRIAL PATENT AND INTELLECTUAL PROPERTY RIGHTS	CONCESSIONS, LICENCES AND TRADEMARKS AND OTHER INTANGIBLE ASSETS	TRADEMARK	TOTAL INTANGIBLE ASSETS EXCLUDING GOODWILL
NET BOOK VALUE as of January 1, 2019	**5.938**	**2.523**	**8.702**	**568.812**	**585.975**
HISTORICAL COST as of January 1, 2019	**24.970**	**15.197**	**18.891**	**568.812**	**627.870**
Increases	7.218	2.080	4.902	52	14.251
Decreases	—	(167)	(4.170)	—	(4.336)
Exchange rate difference	—	(68)	37	—	(30)
Other changes	(7)	7.767	3.766	3	11.529
HISTORICAL COST as of December 31, 2019	**32.181**	**24.810**	**23.426**	**568.867**	**649.283**
ACCUMULATED AMORTISATION as of January 1, 2019	**19.032**	**12.675**	**10.188**	**—**	**41.895**
Increases	4.183	1.941	2.123	69	8.316
Decreases	—	(167)	(70)	—	(237)
Exchange rate difference	—	(69)	13	11	(45)
Other changes	10	7.767	4.129	—	11.906
ACCUMULATED AMORTISATION as of December 31, 2019	**23.225**	**22.229**	**16.382**	**80**	**61.835**
NET BOOK VALUE as of December 31, 2019	**8.956**	**2.663**	**7.043**	**568.787**	**587.449**

Development costs, totalling Euro 8.956 thousand, includes the costs for the personnel dedicated to product development work carried out within the Group. These costs are amortised in three years.

Industrial patent and intellectual property rights comprises mainly costs incurred for depositing patents, producing software and build e-commerce websites.

Concessions, licences and trademarks and other intangible assets comprises mainly assets of the Parent Company referred to the production licences relating to specific product lines, costs for software licenses, costs for projects in progress and customer relationships.

Trademark, amounting to Euro 568.787 thousand, refers to the trademarks:

- "FLOS", equal to Euro 244.139;
- "B&B", "Maxalto" and "Arclinea" equal to Euro 200.746 thousand;
- "Louis Poulsen", equal to Euro 123.313.

Trademarks are considered with an indefinite useful life and therefore subject to annual impairment test.

The recoverable amount of the trademarks has been verified by determining a royalty rate, which a third party would be willing to pay to the owners of the brands, applied to the forecast revenue provided by the business plan. Using a discount rate of 8%, the recoverable value of trademarks was higher than the book value.

The management has prepared an alternative scenario, as made for the impairment of Goodwill, to verify the effects of this scenario on the value of trademarks.

Potential impairments of a non-significant amount (about 1% of the total) emerged from this test.

10 PROPERTY, PLANT AND EQUIPMENT

The amount as at December 31, 2019 totals Euro 111.680 thousand, as shown in detail in the following table:

	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL AND COMMERCIAL EQUIPMENT	OTHER ASSETS	WORK IN PROGRESS AND ADVANCES	TOTAL PROPERTY, PLANT AND EQUIPMENT
NET BOOK VALUE as of January 1, 2018	**88.125**	**11.937**	**7.048**	**4.258**	**697**	**112.065**
HISTORICAL COST as of January 1, 2018	**125.734**	**69.880**	**61.724**	**21.395**	**697**	**279.430**
Increases	507	724	718	908	—	2.857
Decreases	(45)	(5.179)	(175)	(614)	(139)	(6.152)
Exchange rate difference	—	(2)	—	86	—	84
Other changes	68	—	—	210	(223)	55
HISTORICAL COST as of December 31, 2018	**126.264**	**65.424**	**62.267**	**21.985**	**335**	**276.275**
ACCUMULATED AMORTISATION as of January 1, 2018	**37.609**	**57.944**	**54.676**	**17.137**	**—**	**167.366**
Increases	342	251	429	149	—	1.171
Decreases	(22)	(4.911)	(189)	(393)	—	(5.515)
Exchange rate difference	36	(1)	—	(4)	—	31
Other changes	—	—	—	—	—	—
ACCUMULATED AMORTISATION as of December 31, 2018	**37.965**	**53.283**	**54.916**	**16.889**	**—**	**163.053**
NET BOOK VALUE as of December 31, 2018 (restated)	**88.299**	**12.141**	**7.351**	**5.096**	**335**	**113.222**

	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL AND COMMERCIAL EQUIPMENT	OTHER ASSETS	WORK IN PROGRESS AND ADVANCES	TOTAL PROPERTY, PLANT AND EQUIPMENT
NET BOOK VALUE as of January 1, 2019	**88.299**	**12.141**	**7.351**	**5.096**	**335**	**113.222**
HISTORICAL COST as of January 1, 2019	**126.264**	**65.424**	**62.267**	**21.985**	**335**	**276.275**
Increases	2.761	1.952	3.324	1.970	1.355	11.361
Decreases	(313)	(1.268)	(719)	(937)	(208)	(3.445)
Exchange rate difference	210	2	4	36	—	251
Other changes	485	(19)	124	64	(208)	446
HISTORICAL COST as of December 31, 2019	**129.406**	**66.090**	**65.000**	**23.118**	**1.274**	**284.888**
ACCUMULATED AMORTISATION as of January 1, 2019	**37.965**	**53.283**	**54.916**	**16.889**	**—**	**163.053**
Increases	4.040	2.949	3.727	1.696	—	12.412
Decreases	(313)	(794)	(703)	(850)	—	(2.659)
Exchange rate difference	148	4	(0)	36	—	188
Other changes	338	(484)	(48)	409	—	214
ACCUMULATED AMORTISATION as of December 31, 2019	**42.178**	**54.958**	**57.892**	**18.180**	**—**	**173.208**
NET BOOK VALUE as of December 31, 2019	**87.228**	**11.132**	**7.107**	**4.939**	**1.274**	**111.680**

The value of the Land and Buildings increased compared to the previous year mainly due to the extraordinary maintenance works carried out on Group's showrooms and stores, in Italy and Norway.

The variation in Industrial and Commercial Equipment refers to purchases of new molds for the development and manufacture of products.

11 RIGHT OF USE AND FINANCIAL LEASE LIABILITIES

The Group has existing leases covering land and buildings, plants and machinery, vehicles and other equipment that are used in operational activities. Land and construction leases generally last between 2 and 24 years, plant and machinery leases generally last between 2 and 8 years, while those for vehicles and other equipment generally last between 2 and 5 years.

The group's liabilities relating to these leasing agreements are guaranteed by the title of the landlord's property on the leased assets. Generally, the Group may not in turn lease the leased assets to third parties and certain contracts require the group to comply with certain liquidity indices. There are many leasing agreements that include options for renewal and cancellation and variable payments that are best described below.

The group also has certain leases for machinery whose lifespan is 12 months or less and office equipment whose value is modest. The group has chosen for these contracts to apply the exemptions provided by IFRS16 for short-term or low value assets. We point out that, in total, in 2019, the costs recorded in the economic account for short-term leases amounted to Eur 459 thousand.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL AND COMMERCIAL EQUIPMENT	OTHER ASSETS	TOTAL RIGHT OF USE ASSET
Right of Use assets as of January 1st, 2019	**46.790**	**1.179**	**17**	**1.294**	**49.279**
Additions	4.951	424	2	300	5.677
Decreases for dismissal/change in scope	—	—	—	(26)	(26)
Transfers/Reclassifications	—	—	—	—	—
Exchange rate differences	(16)	—	—	—	(16)
Right of Use assets as of December 31st, 2019	**51.724**	**1.603**	**18**	**1.568**	**54.913**
Accumulated amortization as of January 1st, 2019	**—**	**—**	**—**	**—**	**—**
Additions	9.195	647	5	564	10.411
Decreases for dismissal/change in scope	—	—	—	—	—
Transfers/Reclassifications	—	—	—	—	—
Exchange rate differences	(0)	—	—	—	(0)
Accumulated amortization as of December 31st, 2019	**9.195**	**647**	**5**	**564**	**10.411**
Net Book Value as of December 31st, 2019	**42.529**	**955**	**14**	**1.005**	**44.503**

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

Financial lease liability as of 1st January 2019	**50.328**
Additions	5.746
Decreases	(26)
Interests	3.814
Payments	(12.515)
Exchange rate difference	(9)
Financial lease liability as of 31st December 2019	**47.338**
Current financial lease liability	8.341
Non-current financial lease liability	38.997

12 SHAREHOLDING IN PARENT COMPANY

In December 2019, IDG has bought shares of its Parent Company, Design Holding S.p.A., for Euro 18.006 thousand. This amount is considered the fair value of the investment.

13 DEFERRED TAX ASSETS

The breakdown and related changes in deferred tax assets are as follows:

	Balance on acquisition	Taxes to income statement 2018 (restated)	Balance as of 31 December 2018 (restated)	Taxes to income statement 2019	Balance as of December 31, 2019
Reversal of related expenses for the purchase of equity investments	153	3.718	3.871	—	3.871
Inventory margin	1.898	(76)	1.822	92	1.914
Tax losses carried forward	852	(119)	733	(197)	536
Non-deductible financial charges	1.767	7	1.774	364	2.138
Depreciation of tangible assets and amortization of intangible assets	1.785	40	1.825	169	1.994
Provisions for stock obsolescence	1.797	(87)	1.710	578	2.288
Allowance for doubtful debts	1.249	(1)	1.248	91	1.339
Provisions for employee severance indemnities	735	(55)	680	118	798
Allocations to risk provision	1.649	(306)	1.343	283	1.626
Remuneration not yet paid	145	(53)	92	(163)	-71
Other changes	1.171	540	1.711	(1.015)	696
DEFERRED TAX ASSETS	**13.201**	**3.608**	**16.809**	**320**	**17.129**

14 NON-CURRENT FINANCIAL ASSETS

The item, amounting to Euro 3.466, includes at December 31, 2019 mainly the deposits on rent paid by Group companies.

15 INVENTORIES

Inventories are detailed in the following table:

	Dec-31-19	Dec-31-18 (restated)
Materials, auxiliaries and consumables	44.791	41.198
Provision for write-down on materials, auxiliaries and consumables	(5.425)	(4.875)
Work in progress and semi-finished goods	30.779	18.260
Provision for write-down on work in progress and semi-finished goods	(2.998)	(2.574)
Finished gaming machines and merchandise	27.817	73.230
Provision for write-down on finished gaming machines and merchandise	(6.672)	(5.144)
Advances	1.839	1.510
Goods in transit	2.022	2.426
TOTAL INVENTORIES	**92.152**	**124.031**

We report that the amounts at December 31, 2018 are significantly influenced by the surplus values identified in the business combinations that took place in November 2018 and the item inventories at December 31, 2018 includes a residual value of these step-ups for Euro 45.484 thousand which were realized and sold during 2019.

The changes in the provision for write-down relating to inventories are as follows:

	PROVISION FOR WRITE-DOWN OF INVENTORIES
BALANCE as of January 1, 2019	**(12.593)**
Usage of Provision	3.161
Write-down portion	(5.653)
Exchange rate difference	(10)
BALANCE AS OF DECEMBER 31, 2019	**(15.095)**

16 TRADE RECEIVABLES

At December 31, 2019, trade receivables total Euro 68.512 net of the bad debt provision which amounts to Euro 5.801.

The following table shows the breakdown by geographic areas of the amount of trade receivables, including the breakdown by geographic areas of the amount of the provision for write-down:

	Dec-31-19	Dec-31-18
Italy	17.663	15.934
EEC	31.712	30.726
Non-EEC	19.137	20.903
TOTAL TRADE RECEIVABLES	**68.512**	**67.563**

The changes in the provision for impairment of receivables are summarised below:

	PROVISION FOR IMPAIRMENT OF RECEIVABLES
BALANCE as of January 1, 2019	**(6.376)**
Usage of Provision	539
Allocation to Provision	51
Exchange rate difference	(15)
BALANCE AS OF DECEMBER 31, 2019	**(5.801)**

Trade receivables, amounting to Euro 74.313 thousand, are broken down by maturity, without taking into account the Provision for Impairment of Receivables of Euro 5.801 and Bad debts in litigation:

	Total as of December 31, 2019	Current	Overdue 0-30	Overdue 30-60	Overdue 60-90	Overdue 90-120	Past due more than 120 days
Italy	19.611	18.509	360	39	125	237	342
EEC	33.470	25.398	4.765	529	151	361	2.265
Non-EEC	21.232	13.910	3.386	708	355	372	2.500
TOTAL TRADE RECEIVABLES	**74.313**	**57.817**	**8.512**	**1.277**	**630**	**970**	**5.107**

17 TAX ASSETS AND OTHER CURRENT ASSETS

17.1 TAX CREDIT AND DUE FROM TAX AUTHORITIES

Tax credit and due from tax authorities are detailed as follows:

	Dec-31-19	Dec-31-18
Receivables for paid tax advances	1.704	5.857
Tax receivable vs. DH	2.341	—
VAT receivable	4.133	3.286
Receivables for withholding taxes	96	286
Other tax receivables	400	187
TOTAL CURRENT TAX CREDIT AND DUE FROM TAX AUTHORITIES	**8.674**	**9.616**

Receivables for tax advances paid and for withholding taxes include the positions of different companies with respect to the local Tax Authority for the payment of taxes.

17.2 OTHER CURRENT ASSETS

Other assets, amounting to Euro 7.011, refer mainly to advances paid to suppliers and to amounts already paid for maintenance fees.

18 CASH AND CASH EQUIVALENTS AND DEPOSITS

Current and restricted cash and cash equivalents at December 31, 2019 total Euro 63.564 thousand and their breakdown is as follows:

	Dec-31-19	Dec-31-18
Bank and postal accounts	63.278	72.819
Cheques	7	18
Cash and cash equivalents in hand	96	83
Total current cash and cash equivalents	**63.381**	**72.920**
Restricted bank deposits	**183**	**182**
TOTAL CASH AND CASH EQUIVALENTS	**63.564**	**73.102**

For a detailed analysis of the change in the cash and cash equivalents of the company, please refer to the Consolidated Statement of Cash Flows.

19 ASSETS HELD FOR DISPOSAL

The caption "Assets held for disposal", amounting to Euro 2.511 thousand, includes the buildings and land with the related generic facilities relevant to the Ascoli plant of the B&B Group, currently unused.

Compared to last year, the group further devalued these assets by a total of Euro 1.489 thousand and obtained an insurance reimbursement of Euro 890 thousand.

20 SHAREHOLDERS' EQUITY

The Total Shareholders' Equity (of the Group and of minority interests) totals Euro 983.627 thousand of which Euro 980.723 of the Group and Euro 2.904 of minority interests.

For the details of changes in its breakdown, please refer to the Statement of Changes in Shareholders' Equity.

Below the reconciliation table between the Shareholders' Equity of the Parent company and the Consolidated Shareholders' Equity has been represented.

Reconciliation of IDG's Equity	2019
Shareholders' equity of IDG consistent with local GAAP	993.142
Impact of IFRS adjustments on IDG's Equity	(10.856)
Controlled Equity net of participations' reversal	40.258
PPA's reversal impacts	(38.917)
Consolidated Shareholders' Equity of IDG Group	**983.627**

During 2019 the Group bought the minority shares of the Companies: Arclinea S.p.A. (30%) and Flos Bespoke S.r.l (formerly Light Contract S.r.l.) (30%).

This transaction resulted in Shareholders' equity reduction of EUR 6.388 thousand.

21 DEFINED BENEFIT PLANS

Defined benefit plans represent the use and allocations within the year for the Parent Company and by the Italian subsidiaries.

The amount of the provision for Employee severance indemnities is net of the amounts allocated to the Complementary Treasury Provision.

The changes are as follows:

	FUTURE BENEFITS PLAN
BALANCE as of January 1, 2019	**8.064**
Allocations to Provision	2.805
Usage of Provision	(3.181)
Discounting interest	10
Actuarial gains and losses	25
Exchange rate difference	(1)
BALANCE as of DECEMBER 31, 2019	**7.721**

The measurement of the employee severance indemnity for IAS purposes follows the method of the projection of the present value of the defined benefits obligation with the estimate of the benefits accrued by employees.

Following the changes introduced by Law no. 296 of December 27, 2006 ("2007 Budget Act") and by the following implementing Decrees and Regulations, the portions of employee severance indemnity accrued until December 31, 2006 will continue to remain in the company configuring a defined benefits plan (obligation for the accrued benefits subject to actuarial valuation), while the portions accruing from January 1, 2007 onwards, by effect of the choices made by the employees during the year, will be allocated to complementary pension plans or transferred by the company to the treasury provision managed by INPS and starting from the time the decision is formalised by the employee, they are defined contribution plans (no longer subject to actuarial valuation). Hence, the employee severance indemnity is determined as a result of the application of an actuarial model based on several demographic and economic assumptions.

The following table shows the technical economic assumptions used:

	2019
Annual discount rate	0,37%
Annual inflation rate	1,20%
Annual rate of increase of employee severance indemnity	2,40%

In particular, the annual discount rate used to determine the annual value of the obligation was obtained, consistently with Paragraph 83 of IAS 19, from the Iboxx Corporate AA index recorded on the date of the measurement. For this purpose, the return whose duration is comparable to the collective duration of the evaluated Company was selected.

22 PROVISIONS FOR RISKS AND OTHER CHARGES

Provisions for risks and charges, totalling Euro 10.350 thousand, include:

- Provisions for pension liabilities and the like, amounting to Euro 4.069 thousand;
- Other Provisions, amounting to Euro 6.281 thousand.

The changes of these two types of provisions are shown below.

22.1 PROVISIONS FOR PENSION LIABILITIES AND THE LIKE

	PROVISIONS FOR PENSION LIABILITIES AND THE LIKE
BALANCE as of January 1, 2019	**3.227**
Allocations to Provision	971
Usage of Provision	(97)
Exchenge rate difference	(31)
BALANCE AT DECEMBER 31, 2019	**4.069**

At December 31, 2019 the Provisions for pension liabilities, amounting to Euro 4.069 thousand, consists of the amount of the supplementary customer indemnity accrued towards agents, in accordance with the current agents' national collective agreement. The amount reflects the prudent appreciation of the risk connected with any interruption of the mandate conferred to agents in the cases prescribed by law.

The Provision for pension liabilities is subject to actuarial calculation.

22.2 OTHER PROVISIONS FOR RISKS AND CHARGES

"Other Provisions for Risks", at December 31, 2019, totalling Euro 6.281, are made up by the two following captions. The main amount is represented by the product warranty provision.

	PROVISION FOR PRODUCTS' WARRANTY
BALANCE as of January 1, 2019	**3.242**
Allocations to Provision	743
Usage of Provision	(383)
Exchange rate difference	(1)
BALANCE AS OF DECEMBER 31, 2019	**3.601**

	OTHER PROVISIONS FOR RISKS AND CHARGES
BALANCE as of January 1, 2019	**1.985**
Allocations to Provision	1.027
Usage of Provision	(334)
Exchange rate difference	2
BALANCE AS OF DECEMBER 31, 2019	**2.680**

The other provisions for risks reflect the potential charges for litigation risks and related legal fees.

23 CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

The details of the financial liabilities are as follows:

	31-dic-19	31-dic-18
Current financial liabilities:		
Payables to other lenders	3.026	2.698
Payables to banks	4.473	4.181
Liabilities for leases	8.341	
Total current financial liabilities	**15.840**	**6.879**
Non-current financial liabilities:		
Payables to other lenders	3.767	4.868
Bond loan	698.093	692.495
Liabilities for leases	38.997	
Total non-current financial liabilities	**740.857**	**697.363**
TOTAL FINANCIAL LIABILITIES	**756.697**	**704.242**

The reconciliation of the payable for Shareholder Loan is as follows:

	Dec-31-19	Dec-31-18
Bond Loan	720.000	720.000
Amortised cost	(27.649)	(33.122)
Matured interest	5.742	5.617
Liabilities for Shareholder Loan	**698.093**	**692.495**

The Shareholder Loan comprises two bonds issued on November 16, 2018 with the following characteristics:

	Nominal value	Due	Nominal rate
Bond 1	400,000	Bullet 15/11/2025	6.5%
Bond 2	320,000	Bullet 17/11/2025	Euribor 3m + 6%

Regarding the Bond, the main features are specified below.

As mentioned before, the Company issued a guaranteed and non-convertible senior bond loan with a principal accounting for Euro 720 million, maturing in 2025, divided into two lines: the first one is equal to Euro 400 million and called "Senior secured fixed rate notes"; the second one accounts for Euro 320 million and it is denominated "Senior secured Floating rate notes".

As far as the Fixed line is concerned, the bond has a fixed annual interest rate equal to 6.5%, semiannual coupons and capital repayment at maturity.

On the other hand, the Floating line bond has a fixed annual interest rate equal to the quarterly Euribor plus a 6 percentage points spread, with quarterly coupon maturity and capital repayment at maturity.

The bonds have been offered to institutional investors and traded on regulated markets, especially in the Third Market managed by the Vienna stock exchange.

For personal and real guarantees regarding the obligations assumed after the issue of the Bond, please see the specific paragraph of this explanatory note (6.4.2).

Furthermore, with reference to any financial obligations assumed by the Company according to the existing financial documentation, it is stated that: (i) according to the documentation relating to the bond issue of Euro 720.000.000 by IDG, no financial recurring obligation compliance is envisaged (maintenance financial covenant); (ii) according to the revolving loan agreement accounting for Euro 100.000.000 subscribed by IDG, the financial obligation should be verified only if the revolving credit facility reported in the contract is used for a higher amount than a specific threshold at the last day of the reference period ending at a date that corresponds to or follows the first calculation date (i.e. the last day of the third financial quarter following the closing date of the transaction).

This condition did not occur during the year 2019.

24 DEFERRED TAX LIABILITIES

The breakdown and related changes in deferred tax liabilities are as follows:

	On acquisition (restated)	Taxes to income statement 2018 (restated)	Exchange rate difference 2018	Other changes 2018	Dec-31-18 (restated)	Taxes to income statement 2019	Dec-31-19
Brand	40.037	—	—	—	40.037	1.311	41.348
R&D	5.433	274	(3)	—	5.704	308	6.012
Property revaluation	26.071	22	—	—	26.093	(1.331)	24.762
Exchange (gains) losses not material for tax purposes	39	6	—	(11)	34	(21)	13
Business combination	100.809	(1.846)			98.963	(12.434)	86.529
Leasing deduction	116	18	—	—	134	(2)	132
Other minor differences	127	102	—	(82)	147	41	188
DEFERRED TAX LIABILITIES	**172.632**	**(1.424)**	**(3)**	**(93)**	**171.112**	**(12.128)**	**158.984**

25 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities, equal to Euro 752, refer mainly to payables for rent tied to stores and offices of the Group.

26 TRADE PAYABLES

Trade payables broken down by geographic area are provided below.

	Dec-31-19	Dec-31-18
Italy	74.789	74.003
EEC	34.280	30.433
Non-EEC	15.150	16.894
TOTAL TRADE PAYABLES	**124.219**	**121.330**

The item includes both trade payables to suppliers, including allocations for invoices to be received and advances from customers.

The breakdown by maturity of payables to suppliers, amounting to Euro 124.219 thousand, is as follows:

	Total as of Dec.31-2019	Current	Overdue 0-30	Overdue 30-60	Overdue 60-90	Overdue 90-120	Overdue Oltre 120
Italy	74.789	71.436	1.581	447	204	352	769
EEC	34.280	33.597	345	72	45	33	188
Non-EEC	15.150	13.544	913	145	130	53	365
TOTALE DEBITI COMMERCIALI	**124.219**	**118.577**	**2.839**	**664**	**379**	**438**	**1.323**

27 TAX PAYABLES AND OTHER CURRENT LIABILITIES

More details about these items are provided below.

27.1 TAX PAYABLES AND DUE TO TAX AUTHORITIES

	Dec-31-19	Dec-31-18
Due to Tax Authorities for taxes	4.320	3.366
Due to DH for taxes	3.313	
Due to Tax Authorities for VAT	3.009	2.973
Sundry taxes payable	1.115	7.944
TOTAL TAX PAYABLES AND DUE TO TAX AUTHORITIES	**11.756**	**14.283**

27.2 PAYABLES TO SOCIAL SECURITY AGENCIES

Payables to social security agencies amount to Euro 4.617 and include mainly the contributions to be paid for the month of December.

27.3 DUE TO PERSONNEL AND OTHER PAYABLES

	Dec-31-19	Dec-31-18
Other payables to personnel	8.750	7.276
Payables for unused holidays	4.454	4.850
Tax payables for employee taxes	1.203	2.457
Payables to management and directors	1.096	1.523
Payables to customers for bonus and other payables	3.720	3.242
Payables for marketing contributions	89	236
Payables for royalties	1.661	1.216
Other payables	497	2.076
DUE TO PERSONNEL AND OTHER PAYABLES	**21.470**	**22.877**

28 REVENUES

Revenues as of December 31, 2019 amount to Euro 556.753 thousand and relate to the sale of products and services. The 2018 comparison refers to Group's revenues of only one month as it was established on November 30th, 2018.

The breakdown by geographic area is as follows:

	December 2019	December 2018
Italy	100.650	8.011
EEC	265.605	21.917
Non-EEC	190.497	18.252
TOTAL REVENUES	**556.753**	**48.180**

29 OTHER REVENUES AND INCOME

Details about Other revenues and income are provided in the following table.

	December 2019	December 2018
Rental income	109	18
Revenues vs. parent company	874	
Other revenues	6.298	803
Gains on disposal of assets	87	5
Operating grants	130	100
Release of provisions	852	491
TOTAL OTHER REVENUES AND INCOME	**8.350**	**1.416**

Other revenues include revenues for performance of other services, debited transports and sundry insurance reimbursements.

30 PURCHASES OF RAW MATERIALS AND VARIATION IN INVENTORIES

The details of Purchases of raw materials and changes in inventories are as follows:

	December 2019	December 2018 (restated)
Purchases of raw materials, semifinished goods, finished products	(172.488)	(11.460)
Purchases of promotion and advertising materials	(1.973)	(126)
Purchase of various other materials	(1.617)	(451)
Changes in inventories of work in progress	(45.562)	(9.384)
Increases in internal work capitalised	426	89
Changes in inventories of raw materials	2.536	(904)
TOTAL PURCHASES OF RAW MATERIALS AND CHANGES IN INVENTORIES	**(218.678)**	**(22.236)**

We point out that in 2018 and 2019 the item "Changes in inventories of work in progress and finished products" has been influenced by the reversal of the surplus values attributable to inventories respectively for Euro 7.014 thousand and 45.483 thousand.

31 PERSONNEL COSTS

Details about Personnel costs are provided in the following table:

	December 2019	December 2018
Salaries and wages	(86.251)	(7.988)
Stock options plans	(943)	
Social security contributions	(17.260)	(1.107)
Employee severance indemnities and pension charges	(4.437)	(430)
Other personnel costs	(2.065)	(423)
TOTAL PERSONNEL COSTS	**(110.956)**	**(9.949)**

The number of Group employees are broken down by category below, distinguished between those employed at December 31, 2019 and the average workforce of the year:

	Dec-31-19	Dec-31-18
Executives	47	53
White-collar	974	978
Blue-collar	667	665
Total employees	**1.688**	**1.696**

32 SERVICE COSTS

The details of Service costs are as follows:

	December 2019	December 2018
Contractor work and outsourced production work	(34.307)	(3.782)
Fees, royalties, expenses for advertising and communication	(36.496)	(3.100)
Transport and customs expenses	(16.170)	(1.618)
Utilities, accessory services, EDP fees, maintenance and repairs	(9.919)	(673)
Technical, artistic, tax, legal and other advisory services	(9.719)	(635)
Management fees and other costs vs. parent company	(10.004)	
Emoluments to directors, statutory auditors and independent auditors	(2.529)	(298)
Travel and lodging expenses	(8.115)	(668)
Expenses for training, third-party personnel, banking services and sundry administrative services	(6.967)	(446)
Insurance, patents and trademarks, telephone and mail expenses	(2.571)	(230)
TOTAL COSTS FOR SERVICES	**(136.798)**	**(11.450)**

33 PROVISIONS

Allocations to provisions refer to:

	December 2019	December 2018
Provisions for pension liabilities and the like	(776)	(86)
Provisions for other risks	(1.582)	(117)
Provisions for other charges	(750)	(115)
TOTAL ALLOCATIONS TO PROVISIONS	**(3.107)**	**(318)**

34 OTHER COSTS AND CHARGES

The Other costs and charges comprise the following:

	December 2019	December 2018
Property services	(2.740)	(1.135)
Short term and low value leases	(459)	
Rent and EDP licence fees	(2.161)	(155)
Other taxes and duties	(1.922)	(103)
Gifts and charitable donations	(303)	(80)
Purchase of office supplies and consumables	(568)	(63)
Sundry and general expenses	(1.698)	(488)
Cost closing down LP Italy and Belgium	(483)	
Other operating costs	(2.635)	(930)
TOTAL OTHER COSTS AND CHARGES	**(12.969)**	**(2.954)**

35 AMORTIZATION, DEPRECIATION AND IMPAIRMENT

The details of Amortization, depreciation and impairment are provided in the following table:

	December 2019	December 2018
Amortization of intangible assets	(8.031)	(738)
Depreciation of tangible assets	(11.853)	(1.171)
Depreciation of right of use assets	(10.411)	
Write-down of fixed assets	(233)	(230)
Impairment of receivables	(754)	(487)
TOTAL AMORTIZATION, DEPRECIATION AND IMPAIRMENT	**(31.282)**	**(2.626)**

36 BUSINESS COMBINATION COSTS

The item, amounting to Euro 15.452, includes the costs incurred by the parent company in relation to the business combination that took place in 2018. These are mainly costs for legal and due diligence advisory services.

37 FINANCIAL CHARGES

Financial charges comprise mainly Financial charges tied to the bond issued for the purposes of the business combination and amount to Euro 57.478.

38 INCOME TAXES

The details of taxes are as follows:

	December 2019	December 2018 (restated)
Current income taxes	(17.354)	(431)
Deferred tax assets/liabilities	12.448	5.043
TOTAL INCOME TAXES	**(4.906)**	**4.612**

The reconciliation between income taxes and the theoretical ones, resulting from the application of the current rate in Europe to pre-tax profit for the year ended December 31, 2019 is as follow:

	2019
Accounting loss before income tax	**(4.076)**
Tax at domestic rates applicable to individual group entities	(7.109)
Prior year's taxes	1.175
Non-deductible expenses	(1.041)
Benefit from consolidated tax declaration	2.069
Actual taxes recognised in the Profit & Loss	**(4.906)**

39 SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE YEAR

Group's goal is to pursue healthy and profitable growth both through the development of the existing business; facing the new technological and commercial challenges and opportunities, making the most of the excellence of Group's brand positioning, the industrial and technical flexibility that characterizes Group's structure, both constantly evaluating the possibility of new acquisitions and integrations with companies whose values and positioning are in harmony with Group's portfolio.

The year 2020 has had a start in the name of continuity, registering a constant increase in the acquisition of orders for all the lines of business in which we are present, and the effort in the implementation of commercial and organizational synergies between the companies belonging to the Design Holding Group has continued.

Since February, the spread of the Covid-19 virus has caused a marked slowdown in the economies of Asian countries and, subsequently, its worldwide spread is causing global human and economic impacts.

Our primary concern has been the safety and health of our employees, we have taken all the necessary measures, including extraordinary ones, aimed at mitigating health risks and ensuring business continuity, complying, in various geographies, with the measures introduced by the various national authorities. The worsening situation led us to the decision to suspend on March 16th, 2020, the production activities in Italy and subsequently the European retail activities were also suspended and, lastly, the retail and production activities in the USA. Louis Poulsen has always remained in operation in Denmark, while adopting all the social distancing and remote working measures to minimize the health risk for employees.

At the time of the approval of these financial statements, the picture of uncertainty about the evolution of the situation remains. Now, the unavoidable negative effects of the epidemic on the outlet markets and on our activity are difficult to quantify. However, the Company has set up a sensitivity scenario assuming a slowdown in revenues attributable to the health emergency in 2020 and 2021 and has instructed the Accuracy company to use this scenario for further and more severe stress of the impairment test.

This further sensitivity confirmed the holding of the start-up balance sheet, while with reference to the brands reported a potential impairment total of about 1.1% at the consolidated level.

The CEO considers that, taking into account the extreme caution expected in this sensitivity, there has been no need to change the values recorded in the Company's balance sheet as of December 31, 2019.

As known, the Company, as an original borrower and original guarantor and, inter alios, UniCredit S.p.A., as an agent and security agent, they both signed, on November 9, 2018, a super senior revolving financing agreement (as amended as of 22 November 2019) under which the relevant financing banks have made available to the Company a super senior revolving line of credit of the original amount of Euro 100,000,000.00. During the 2020 financial year, the Company required the financing banks to proceed with the provision of this financing for the full amount, in order to find the necessary financial resources to be able to support its own working capital needs and of the group to which it is responsible, also considering the current state of emergency on the national territory arising from the health risk associated with the spread of the so-called "COVID-19" and considering the legislative measures taken by the Italian Government to deal with the current state of emergency on the national territory with the Decree Act of February 23, 2020 and following implementation measures, including the DPCM March 11, 2020.

Please note that IDG and its related companies may, at any time and, from time to time, purchase or buy back and possibly cancel the bonds issued by IDG through market transactions, privately traded transactions, takeover offers or in other ways. These bond purchases, if made, will take place at the prices and conditions that the relevant purchaser will determine considering the market conditions existing at that time.

The Group is therefore able to meet its financial commitments and pursue the objectives of the business plan.

40 FAIR VALUE MEASUREMENT

The following table provides the hierarchy of fair value measurement for the Group's liability at December 31, 2018 and 2019.

	Carrying amount (based on measurement basis)			
2018		Fair value level 1	Fair value level 2	Fair value level 3
Financial assets:	**157.076**			
Cash and cash equivalents	73.102	73.102		
Loans and receivables	**79.974**			
Trade and other receivables	76.836			
Non current financial assets and other non current assets	3.139			
Available-for-sale assets	**4.000**			
Available for sale assets	4.000			
Liabilities:	**826.793**			
Trade payables	121.330			
Short-term financial debt	6.879			
Other non current liabilities	1.220			
Non-current financial liabilities	697.363			

	Carrying amount (based on measurement basis)			
2019	Total	Fair value level 1	Fair value level 2	Fair value level 3
Financial assets:	**148.141**			
Cash and cash equivalents	63.564	63.564		
Loans and receivables	**82.066**			
Trade and other receivables	75.524			
Non current financial assets and other non current assets	6.543			
Available-for-sale assets	**2.511**			
Available for sale assets	2.511			
Financial liabilities:	**881.669**			
Trade payables	124.219			
Short-term financial debt	7.499			
Current lease financial liabilities	8.341			
Other non current liabilities	752			
Non-current financial payables	701.860			
Non-current lease financial liabilities	38.997			

The Management verified that the fair value of cash and cash and cash equivalents and short-term deposits, of trade receivables and payables, of bank overdrafts and of other current liabilities approximates the book value as a result of the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is reported in the amount for which the instrument could be traded in a current transaction between willing parties, instead of in a forced sale or in a liquidation. To estimate fair value, the following methods and the following assumptions were used:

- Long-term receivables and loans, both fixed rate and floating rate, are measured by the Group on the basis of parameters such as interest rates, specific risk factors for each Country, the individual credit rating of each customer and the characteristic risk of the financial project.

Based on this measurement, the allocations for the expected losses on these receivables are recognised in the accounting records.

- The fair value of listed securities and bonds is based on the listed price at the date of the financial statements. The fair value of unlisted instruments, such as loans from banks or other financial liabilities, obligations deriving from financial leases or as other non-current financial liabilities, is estimated through discounted future cash flows applying the current rates available for payables with similar terms, such as the credit risk and the remaining maturities. In addition to being sensitive to reasonably possible changes of the expected cash flows or of the discount rate, the fair value of equity instruments is also sensitive to reasonably possible changes of the growth rates. The valuation requires the use, by the Management of non observable input data, illustrated previously. The Management regularly defines a range of reasonably possible alternatives for these significant non observable input data and it determines their impact on total fair value.

The present Financial Statements, consisting of the Statement of Financial Position, Statement of Profit/Loss for the Year, Statement of Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Explanatory Notes, provide a true and fair representation of the financial position and the income for the year and match the results of the accounting records.

Milan, April 14th, 2020

On behalf of the Board of Directors

The Chairman
Piero Canzani

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